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AN EXAMINATION AND ANALYSIS

OF THE

# Postmaster-General's Proposals Concerning Railway Mail Pay

BEING A STUDY OF HOUSE DOCUMENT No.  
105, SIXTY-SECOND CONGRESS, FIRST SESSION,  
BASED UPON THE ORIGINAL DATA SUPPLIED  
BY THE RAILWAYS AND USED BY THE POST-  
MASTER-GENERAL AND UPON OFFICIAL  
STATISTICS.            ::            ::            ::

PREPARED UNDER THE SUPERVISION

OF THE

## Committee on Railway Mail Pay

BY

H. T. NEWCOMB  
Statistician

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PUBLISHED BY THE  
COMMITTEE ON RAILWAY MAIL PAY

1912

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- RALPH PETERS,  
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- W. F. ALLEN, Secretary.

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## THE MODIFIED EDITION OF DOCUMENT NO. 105.

There are now extant two editions of Document No. 105. All the figures in the pamphlet to which these pages are annexed are from the first and all references are to the same edition. The second or modified edition, published since this pamphlet was put in type, changes many of the figures in the original edition; but contains no reference to the fact that it is a second edition or any intimation that any of the data have been modified. It is known, however, that the modifications were made necessary by attention which had been directed to numerous and serious errors in the first edition.

The appearance and paging of both editions are identical and the only way to distinguish one from the other, except by comparing the figures, is to note that, on the unnumbered page opposite the table of contents, the first edition contains the seal of the Government Printing Office, while in the second edition the corresponding space is occupied by a copy of the resolution of the House of Representatives of March 26, 1912, authorizing the printing of two thousand copies for the use of the House Committee on Post Offices and Post Roads.

In order to avoid confusion, on account of the dissimilar figures in these publications which bear the same title and an appearance of identity, it is necessary to call attention to some of the more important changes and to their effect upon the calculations in the annexed pamphlet.

As fully demonstrated in this pamphlet, the controlling figure in the Postmaster-General's calculations is that representing the percentage of the total car-foot mileage of passenger trains which he credited to the mail service. In the first edition this was stated as 7.16 per cent (Document No. 105, page 59); in the same place in the modified edition 7.18 per cent appears. Other changes on page 59 of Document No. 105 are as follows:

Service	Car-foot mileage		
	First edition	Second edition	Increase
Mail .....	926,164,458.83	932,371,285.37	6,206,826.54
Express .....	1,379,315,759.65	1,379,396,873.05	81,113.40
Passengers .....	10,634,749,746.71	10,676,112,464.36	41,362,717.65
Total .....	12,940,229,965.19	12,987,880,622.78	47,650,657.59

Examining the details of the table the totals of which were changed as above indicated (Table 3, pages 38-59) it is found that the changes relate to but two systems and that the addition of 6,206,826.54 to car-foot mileage made in the mail service is the sum of 500,749.20 car-foot miles added to the Atchison, Topeka & Santa Fe System (Document No. 105, page 39) and of 5,706,077.34 miles added to the Pennsylvania System (Document No. 105, pages 51-3). The latter item includes additions to the car-foot mileage of four of the lines of the system, as follows: Pennsylvania Company, 1,075,046.85; Philadelphia, Baltimore & Washington, 58,512.60; Pittsburgh, Cincinnati, Chicago & St. Louis, 3,170,586.08; Vandalia, 1,401,931.81.

The following changes, among others, appear in the totals of Table 7' (Document No. 105, pp. 280-281).

Expenses for November, 1909	First Edition	Second Edition	Increase
Taxes .....	\$7,198,452.91	\$7,206,270.16	\$7,817.25
Operating expenses charged to mail service .....	2,676,503.75	2,682,797.92	6,294.17

A further scrutiny of this table (Document No. 105, pp. 272-281) shows that the addition in taxes was to the amount stated for the Louisville & Nashville Railroad (page 274) and that the changes in the expenses assigned to the mail service included the effect of this addition and of the changes in the car-foot mileage of the Atchison, Topeka & Santa Fe (page 272) and of the various companies of the Pennsylvania System (page 276).

Whoever wishes to check all the changes made by the new edition will be able to do so by referring to the pages indicated below:

Changes affecting	Pages—Both editions
Atchison, Topeka & Santa Fe.....	38, 39, 60, 177, 263, 272, 273
Louisville & Nashville.....	274, 275
Pennsylvania Company .....	50, 51, 63, 191, 260, 261, 276, 277
Pennsylvania Railroad .....	191, 259, 276, 277
Philadelphia, Baltimore & Washington.....	52, 53, 63, 191, 259, 276, 277
Pittsburgh, Cincinnati, Chicago & St. Louis..	52, 53, 63, 191, 193, 261, 276, 277
Vandalia .....	52, 53, 63, 193, 263, 276, 277
Totals and averages.....	58, 59, 65, 196, 197, 266, 267, 269, 270, 280, 281

The fact that the important changes which have thus necessitated a revision of Document No. 105 relate to only three systems suggests that an equally careful checking of the data reported for all other systems would require still more numerous and radical modifications in the Postmaster-General's figures. This is especially evident when it is understood that the changes so far made have been in recognition

of errors brought to the attention of the Post Office Department by the railways directly affected—few railways have attempted the arduous task of examining the long and complicated computations of the Department in order to detect specific errors.

As already noted, the figures and quotations from Document No. 105, in this pamphlet are from the first edition. Some changes would be necessary in order to substitute the figures of the new edition and the result would not be wholly satisfactory as both editions are in circulation and, there being no plainly distinguishing mark on either, whoever uses a copy of either is likely to regard it as the authoritative and definitive issue. The following table indicates the more important changes that would be necessary to base the annexed pamphlet upon the second, instead of the first, edition of Document No. 105:

Page	Line (if in text)	Column (if in table)	Instead of	To agree with the second edition of Document No. 105, there should be:
9	10, 13	..	\$2,676,503.75	\$2,682,797.92
9	13-14	..	\$2,837,093.98	\$2,843,765.80
9	14, 19	..	21.36	21.18
20	3	..	\$2,676,503.75	\$2,682,797.92
20	6	..	14.99	14.95
29	.....	2	10,634,749,747	10,676,112,464
29	.....	2	1,379,315,759	1,379,396,873
29	.....	2	926,164,459	932,371,285
29	.....	2	12,940,229,965	12,987,880,622
29	.....	3	82.18	82.20
29	.....	3	10.66	10.62
29	.....	3	7.16	7.18
29	.....	6	732,379,597	773,742,314
29	.....	6	59,207,170	59,288,284
29	.....	6	564,640,981	612,291,638
29	.....	7	6.89	7.25
29	.....	7	4.29	4.30
29	.....	7	4.36	4.71
29	.....	8	226,945,786	220,738,960
29	.....	9	24.50	23.67
30	.....	2	54,544	54,755
30	.....	2	7,074	7,075
30	.....	2	4,750	4,782
30	.....	2	66,368	66,612
30	.....	4	866	655
30	.....	4	313	312
30	.....	4	1,703	1,671
30	.....	4	2,882	2,638
30	.....	5	1.59	1.20
30	.....	5	4.42	4.41
30	8, 21	5	35.85	34.94
30	.....	5	4.34	3.96
31	.....	3	550,727,960	585,923,233
31	.....	3	14,966,609	15,317,133
31	.....	3	565,694,569	601,240,367
31	.....	3	17,494,235	17,994,984
31	.....	3	35,261,514	35,762,263
31	.....	3	681,670,711	717,717,258
31	.....	6	15,789,764	15,289,015

Page	Line (if in text)	Column (if in table)	Instead of	To agree with the second edition of Document No. 105, there should be:
31	.....	6	20,223,126	19,722,367
31	.....	6	46,011,932	9,965,385
31	.....	7	47.44	45.94
31	.....	7	36.45	35.55
31	.....	7	6.32	1.37
31	.....	9	80.79	81.64
31	.....	9	2.20	2.13
31	.....	9	82.99	83.77
31	.....	9	11.84	11.25
31	.....	9	5.17	4.98
32	12	..	210,326,652	204,679,088
32	13	..	21.28	20.71
32 A	.....	3	23,288,845.22	24,363,892.07
32 A	.....	3	24,054,604.27	27,225,190.35
32 A	.....	3	10,908,799.55	12,310,731.36
32 A	.....	3	778,197,633.71	783,845,198.45
32 A	.....	4	5,458,291.78	4,383,244.93
32 A	.....	4	8,328,919.73	5,158,333.65
32 A	.....	4	3,918,612.45	2,516,680.64
32 A	.....	4	210,326,652.31	204,679,087.57
32 A	.....	5	18.99	15.25
32 A	.....	5	25.72	15.93
32 A	.....	5	26.43	16.97
32 A	.....	5	21.28	20.71
36	24, 33	..	\$97,186.52	\$93,614.87
36	29, 30, 31	..	5.17	4.98
36	36	..	\$62,380.54	\$65,952.19
38	30	..	\$2,673,503.75	\$2,682,797.92
38	33	..	\$3,878,431.75	\$3,887,725.92
47	2, 18	..	\$2,676,503.75	\$2,682,797.92
47	19	..	\$1,189,705.92	\$1,192,503.67
47	19	..	\$3,866,209.67	\$3,875,301.59
47	19	..	\$258,436.54	\$267,528.46
47	20	..	\$3,101,238.18	\$3,210,341.52
80	.....	2	7.16	7.18
80	16, 25, 27	2	\$7.16	\$7.18
81	8	..	0.76	0.78
81	8	..	\$5,812,277.49	\$5,965,232.16
83	.....	2	430,944,968.10	431,210,671.03
83	.....	2	864,633,119.64	364,370,259.64
83	.....	2	795,578,087.74	795,580,930.67
83	11, 16	..	84.61	84.50
83	17	..	\$4,008,643.06	\$4,003,431.49

## AN EXAMINATION AND ANALYSIS

OF THE

POSTMASTER-GENERAL'S PROPOSALS CONCERNING RAILWAY MAIL PAY.

---

### INTRODUCTION.

This examination and analysis of the recommendation and argument concerning railway mail pay made by the Postmaster-General and printed as Document No. 105 of the Sixty-Second Congress, first session, deals with a proposal to reduce the annual revenues of the railways by the sum of \$9,000,000.00, which (capitalized at five per cent) would equal a reduction of \$180,000,000 in the value of their property. This reduction the Postmaster-General proposes to accomplish by a diminution of mail pay without any compensatory reduction in the services and facilities demanded by the Post Office Department and in a manner not enabling railway economies in any degree offsetting the loss of gross receipts.

The extent and nature of this proposed reduction and the exceedingly large number of errors and omissions in Document No. 105 to which it will be necessary to call attention are deemed fully to warrant the length of the paper.

Especial attention is invited to the following errors which, among others, are found in Document No. 105:

First. All the Postmaster-General's calculations and conclusions rest upon data for the single month of November, 1909, a month in which passenger traffic and expenses were relatively very light and freight traffic and expenses were relatively very heavy. (See pages, 43-50.)

Second. The Postmaster-General wholly ignored the necessity (industrial as well as Constitutional) of a reasonable return upon railway investments, equitably proportioned to the fair value of railway property, and that this is an inevitable part of the cost of railway transportation, confining his attention to



operating expenses and taxes which make up only a part of the real cost. (See pages 35-43.)

Third. The Postmaster-General apportioned joint expenses between the passenger and freight services in accordance with a method that does not give the full, real cost of the passenger train services. (See pages 33-35.)

Fourth. The Postmaster-General ignored important services and facilities rendered and supplied by the railways, such as station facilities and terminal services and the transportation of postal employees not accompanying the mails, and ignored the actual and direct expenditures of the railways for these purposes. (See pages 9-18.)

Fifth. The Postmaster-General misconceived the nature of working space and temporarily unused space in cars carrying mail and not only refused to regard such space as required by the postal service but actually added it to the passenger space. (See pages 19-33.)

All the foregoing errors, and many others, demonstrated and discussed in the following pages, had the effect, separately and cumulatively, of making the Postmaster-General's estimates of the cost to the railways of the mail services and facilities they supply too low.

## I.

### THE POSTMASTER-GENERAL'S RECOMMENDATION BRIEFLY STATED.

The Postmaster-General's letter to the Speaker of the House of Representatives, printed under date of August 12, 1911, but not received by the representative of any affected railway until December 8, 1911, with the accompanying reports and tabulations contained in House Document No. 105 of the first session of the Sixty-second Congress, comprises:—

First. A recommendation for a revision of the basis of payment for the railway facilities and services required in connection with the postal service, and,

Second. A series of reports and tabulations apparently intended to illustrate the results which would follow the application of the revised basis of payment that is recommended.

The system of railway mail pay which the Postmaster-General thus seeks to have substituted for that now in force may, perhaps, be best stated by means of quotations from the "Tentative Draft of Proposed Law for Regulation of Railway Mail Pay" which appears on the fourth and fifth pages of Document No. 105. Thus stated, it is proposed:

First. (*As to railways the construction of which was not aided by Congressional grants of land*) "The Postmaster-General is authorized and directed to readjust the pay to companies operating railroads for the transportation and handling of the mails and furnishing facilities in connection therewith, not less frequently than once in each fiscal year, . . . at a rate of compensation per annum not exceeding the cost to the railroad companies of carrying the mails as ascertained by him, and six per centum of such cost: *Provided*, That when such ascertained cost and six per centum does not equal twenty-five dollars per mile per annum, he may, in his discretion, allow not exceeding such rate, and,

Second. (*As to land-grant railways*) "Railroad companies whose railroads were constructed in whole or in part by a land grant made by Congress, on the condition that the mails should be transported over their roads at such price as Congress should by law direct, shall receive not exceeding the cost to them of performing the service."

The "tentative draft" contains no definition of the manner in which the cost of carrying the mails would be or could be ascertained nor as to the elements of cost to be considered. Much less does it contain any language suggesting the exclusion from consideration of any element of cost. As, upon any fair and reasonable basis of ascertainment, the cost of the postal facilities and services supplied by the railways exceeds the sums now paid therefor by the Government they could have no very practical objection to the proposed system if it would, in fact, *although abandoning the proper and customary standards of compensation*, increase their mail revenues to an amount really in excess of the actual cost. But it is necessary to interpret the Postmaster-General's recommendations in the light of the whole report in which they are contained and especially in the light of the following claims which he makes.

First. That the investigation reported in Document No. 105 discloses the real cost to the railways of carrying the mails, and,

Second. That the enactment of his recommendations would effect a reduction of \$9,000,000.00 from present railway mail pay.

In his annual report to Congress, dated December 1, 1911, the Postmaster-General said, concerning this Document:

“During the year the Department completed the investigation begun early in the administration with the object of determining what it costs the railways to perform this service, and the report of the inquiry was submitted to Congress on the twelfth of August last. The statistics obtained during the course of the investigation *disclosed for the first time the cost of carrying mail* in comparison with the revenue derived by the railways from this service. . . . If Congress gives the recommendation of the Department in this regard its favorable consideration and authorizes a readjustment of railway mail pay in the manner suggested, it is believed that *the resulting saving to the Government will amount annually to about \$9,000,000.00.*” Annual Report of the Postmaster-General, House Document No. 559, Sixty-second Congress, Second Session, pp. 19-20.

Those portions of Document No. 105 which consist of reports and investigations apparently intended to illustrate the results that would follow the adoption of the new basis of payment *exclude from consideration*, as will more fully appear hereinafter, *all services and facilities except the service of transportation on trains and the facility of space in cars occupied while such movement is in actual progress and all elements of cost save those of operation and taxes*, that is to say, *they exclude all the primary costs incident to securing the capital necessary to create the property operated.* Therefore, the Postmaster-General's recommendation, if it is not to be regarded as wholly inconsistent with the argument that he submits in its support, which is unthinkable, is to be held and considered to be *a recommendation to reduce railway mail pay below the cost of the facilities and services supplied by ignoring some services and facilities and making payment equal the sum of a part of the elements of cost* (that is to say, the sum of operating and taxation costs, but not including interest cost) of transportation services and train facilities.

The Postmaster-General calls this proposed reduction a “readjustment of railway mail pay on the basis of cost with six per cent profit” (Document 105, p. 3) and estimates, as has been seen, that the resultant diminution of mail pay would amount to approximately \$9,000,000.00 annually (Document 105, p. 3). As the aggregate sum paid for the



facilities supplied by the railways during the fiscal year 1911 was \$50,099,537.02\* it is evident that the proposed reduction amounts to about eighteen per cent of the gross revenue which the railways now derive from this source. The detailed figures of Document No. 105, however, indicate that it would be higher. They show (pages 280, 281) that, during the month of November of the year 1909, the railways included received \$3,607,773.13 for the postal facilities and services they supplied while, for the same period, the Postmaster-General estimates that the train space they furnished cost them, in operating expenses and taxes alone, \$2,676,503.75. As he does not propose to make a return for any other items of cost and proposes to add only six per cent to the total of these items, it is evident that if his "readjustment" had been in effect they would have received 106 per cent of \$2,676,503.75 or \$2,837,093.98. The last named sum is 21.36 per cent less than \$3,607,773.13, the sum these railways were paid, and this percentage, of course, approximates the reduction. *In this calculation no allowance is made for the fact that some railways, that is, land-grant roads, would be denied the additional six per cent so that the actual reduction would be somewhat more than 21.36 per cent.*

This brief statement discloses the fact that the Postmaster-General's recommendation really rests upon certain almost obviously incorrect and misleading conclusions which are, in part, as follows:

First. He erroneously assumes that the train space occupied by the mails is a fair measure of the services and facilities supplied by the railways whereas, in fact, they perform important terminal and delivery services, supply a vast aggregate of personal transportation, furnish extraordinary station facilities and supply many and costly additional services and facilities of which he takes no account.

---

\*The sum reported by the Postmaster-General (Postmaster-General's Annual Report for 1911, House Document No. 559, Sixty-second Congress p. 49), as the cost of "transportation of domestic mail by railroads," is \$50,583,122.96 but not all of this sum was paid to railways. The sum so paid was actually \$483,585.94 less. The cost, as reported, includes the cost of the quadrennial weighing of the mails in one of the four weighing sections, of tabulating the results of this weighing and perhaps other expenditures. The railways actually received only \$50,099,537.02. This fact was stated by the Honorable Second Assistant Postmaster-General in a letter, dated on June 7, 1912, addressed to H. T. Newcomb, statistician to the Committee on Railway Mail Pay, which letter is as follows: "In reply to your letter of the twenty-second ultimo, asking for further information relative to the amount actually paid to the railroad companies during the fiscal year ended June 30, 1911, I have to advise you that out of the total of \$50,583,122.96 there was expended a total of \$483,585.94 for purposes other than railroad transportation." The average annual cost of weighing the mails for the purpose of readjusting railway mail pay is stated in Document No. 105 (p. 15), as \$400,000.00. At least this sum should, therefore be deducted from the reported annual cost of railroad services, previous to 1911, in order to ascertain the annual aggregates actually received by the railways.

Second. He erroneously assumes that expenses in the operation of a railway and taxes exacted from it constitute all the cost of the services it renders, thus overlooking and ignoring the fact that property has to exist before it can be operated and that its existence is evidence of the investment of capital, a reasonable return on which is a necessary and legitimate element of the cost of transportation and that this element, in the case of railways, amounts to a very considerable fraction of the total cost.

The foregoing misconceptions of fact are fundamental in character and importance and their destructive effect upon the argument of Document No. 105 will be further discussed herein. Attention is directed to them, at this stage, merely because *any statement of the Postmaster-General's plan which failed to note that it rests upon these basic inaccuracies would be seriously incomplete*. It should also be noted at the outset that the second of these misconceptions leads to a rejection of that essential principle of fair treatment of the railway carriers of mail proclaimed by the Joint Commission to Investigate the Postal Service which reported in 1901, in part as follows:

“We are of opinion that the true basis for payment to railroads for mail transportation should be such sums as will afford the railroads a fair compensation for the services rendered.” Fifty-sixth Congress, Senate Document No. 89, p. 9.

And the Joint Postal Commission continued:

“It seems to the Commission that not only justice and good conscience, but also the efficiency of the postal service and the best interests of the country demand that the railway mail pay shall be so clearly fair and reasonable that while, on the one hand, the Government shall receive a full quid pro quo for its expenditures and the public treasury be not subjected to an improper drain upon its funds, yet, on the other hand, the Railway Mail Service shall bear its due proportion of the expenses incurred by the railroads in the maintenance of their organization and business as well as in the operations of their mail trains.

“The transaction between the Government and the railroads should be, and in the opinion of the commission is, a relation of contract; but it is a contract between the sovereign and a subject as to which the latter has practically no choice but to accept the terms formulated and demanded by the former; and therefore it is incumbent upon the

sovereign to see that it takes no undue advantage of the subject, nor imposes upon it an unrighteous burden, nor 'drives a hard bargain' with it." Ibid, p. 10.

It is submitted that these extracts but express considerations that are obviously and fundamentally correct and that must prevail wherever justice is respected and maintained. But there can be no just compensation when a reasonable return upon invested capital is refused and the Postmaster-General has confessedly considered none of the expenses necessarily incurred in order to procure capital, but only those of operation and for taxes.

## II.

### DETAILED ANALYSIS OF THE POSTMASTER-GENERAL'S REPORT.

Although the argument for a reduction in railway mail pay made by the Postmaster-General (Sixty-second Congress, House Document No. 105) is addressed to the Speaker of the House of Representatives under date as of August 12, 1911, and the Congressional order for printing was entered on August 15, 1911, the Postmaster-General caused its publication to be suspended, for the purpose, as it is stated, of making repeated changes and corrections, and it was not until December 8, 1911, that the Committee on Railway Mail Pay, or any of the railways which would be affected by the adoption of the recommendations of the report, were able to obtain copies or were advised of its contents. Soon after obtaining copies of the report, with the accompanying documents and tabular statements, and having given consideration to the whole document, the Committee, by Mr. Kruttschnitt, its chairman, on December 20, 1911, addressed a letter to the Speaker, which was, in full, as follows:

"TO THE HONORABLE THE SPEAKER OF THE HOUSE OF REPRESENTATIVES, WASHINGTON, D. C.:

"MY DEAR SIR: Your attention is respectfully invited to the recently published letter from the Postmaster-General to the Speaker of the House of Representatives (House Document No. 105), submitting a report of his inquiry as to the operations, receipts and expenditures of the railroad companies transporting the mails, and recommending legislation concerning their compensation therefor.

"This report has been so recently made public that there has not been sufficient time for its detailed examination and

analysis, but such scrutiny as has already been possible, discloses that the data submitted are incomplete, the figures distorted, the presentation unfair, and the conclusions illogical and unwarranted. Among other things, it is grossly unjust to the railroads in that:

"1. Data submitted by the railroads at the request of the Post Office Department, which are essential to a complete understanding of the subject, have been withheld and suppressed.

"2. The Postmaster-General has arbitrarily transferred to the passenger service much of the so-called 'dead' space in mail cars, although this space could not be utilized as passenger space, thus improperly increasing the apparent car-foot miles of passenger service, and correspondingly decreasing the car-foot miles of mail service.

"3. The Postmaster-General has apportioned expenses incurred for the joint purposes of the passenger and freight services between these services, in accordance with a method never accepted by any one with practical experience in railway accounting or operation, and condemned by the courts in at least two important cases. In one of these cases the opinion of the Court states that 'It was conceded that the method could be made to produce any desired result.'

"4. The Postmaster-General has wholly overlooked the fact that a large part of the cost incurred by the railways in carrying the mails, consists of interest on the capital they employ. By ignoring all capital expenses, confining his attention to mere operating costs, and proposing to return to the railways only the amount of these operating costs, plus 6 per cent, he urges a method which, if applied generally to all their business, would render every railroad at once bankrupt.

"In consideration of the foregoing and other errors and omissions in the report, we respectfully ask, for the railroad companies, a suspension of judgment and action until they have had time to present a complete and satisfactory analysis of the report, and of all material and relevant facts. Preparation of such a presentation has been undertaken and we request that when completed, we be given an opportunity to place our conclusions before Congress in a suitable manner.

"Very respectfully yours,

"THE COMMITTEE ON RAILWAY MAIL PAY.

"By J. Kruttschnitt, Chairman."



The next purpose of this report will be to present detailed and convincing evidence of each and every assertion in the foregoing letter and they will be taken up in order.

### FIRST.

*Data submitted by the railroads at the request of the Post Office Department, which are essential to a complete understanding of the subject, have been withheld and suppressed.*

#### A.

### STATION AND TERMINAL EXPENSES DIRECTLY INCURRED ON ACCOUNT OF MAIL.

That the facilities and services supplied by the railways in connection with the postal service go far beyond the ordinary incidents of transportation is generally understood but the fact is substantially ignored in the Postmaster-General's report. Some of these extraordinary services, being in the nature of terminal and station services, are covered by the following extracts from the Postal Laws and Regulations:

“Railroad companies, at stations where transfer clerks are employed, will provide suitable and sufficient rooms for handling and storing the mails, and without specific charge therefor. These rooms will be lighted, heated, furnished, supplied with ice water, and kept in order by the railroad company.” Section 1186, second paragraph.

“The specific requirements of the service as to . . . space required. . . at stations, fixtures, furniture, etc., will at all times be determined by the Post Office Department and made known through the General Superintendent of Railway Mail Service.” Section 1186, third paragraph.

“Railroad companies will require their employees who handle the mails to keep a record of all pouches due to be received or dispatched by them, and to check the pouches at the time they are received or dispatched, except that no record need be kept of a single pouch from a train or station to the post office or from the post office to a train or station which, in regular course, is the only pouch in the custody of the company's employees at that point while it is being handled by them. This is not to be construed as relieving railroad companies from having employees on trains keep and properly check a record of all closed pouches handled by them, without exception.” Section 1187, first paragraph.

"In case of failure to receive any pouch due, a shortage slip should be made out, explaining cause of failure, and forwarded in lieu of the missing pouch. Specific instructions in regard to the use of shortage slips will be given by the General Superintendent of Railway Mail Service." Section 1187, second paragraph.

"Every irregularity in the receipt and dispatch of mail should be reported by the employée to his superintendent promptly, and if a probable loss of or damage to mail is involved, or if the cause of failure to receive a pouch is not known, the report should be made by wire, and the superintendent will notify the division superintendent of Railway Mail Service without delay. A copy of the employée's report should be attached to and become a part of the permanent pouch record." Section 1187, third paragraph.

"Train pouch records will be kept on file at the headquarters of division superintendents of railroad companies for at least one year immediately following the date the mail covered by them was handled, and shall be accessible there to post office inspectors and other agents of the Post Office Department. Station pouch records will be kept on file at the station to which they apply for at least one year immediately following the date the mail covered by them was handled, and shall be accessible there to post office inspectors and other agents of the Post Office Department." Section 1187, fourth paragraph.

"Railroad companies will require their employees to submit pouch records for examination to post office inspectors and other duly accredited agents of the Post Office Department upon their request and exhibition of credentials to such employees." Section 1187, fifth paragraph.

"Every railroad company is required to take the mails from, and deliver them into, all terminal post offices, whatever may be the distance between the station and post office, except in cities where other provision for such service is made by the Post Office Department. In all cases where the Department has not made other provision, the distance between terminal post office and nearest station is computed in, and paid for, as part of the route." Section 1191, first paragraph.

"The railroad company must also take the mails from and deliver them into all intermediate post offices and postal sta-

tions located not more than eighty rods from the nearest railroad station at which the company has an agent or other representative employed, and the company shall not be relieved of such duty on account of the discontinuance of an agency without thirty days' notice to the Department." Section 1191, second paragraph.

"At connecting points where railroad stations are not over eighty rods apart a company having mails on its train to be forwarded by the connecting train will be required to transfer such mails and deliver them into the connecting train, or, if the connection is not immediate, to deliver them to the agent of the company to be properly dispatched by the trains of said company." Section 1192.

"At places where railroad companies are required to take the mails from and deliver them into post offices or postal stations or to transfer them to connecting railroads the persons employed to perform such service are agents of the companies and not employees of the postal service, and need not be sworn; but such persons must be more than sixteen years old and of suitable intelligence and character. Postmasters will promptly report any violation of this requirement." Section 1193.

"Where it is desirable to have mails taken from the post office or postal station to train at a terminal point where terminal service devolves upon the company, in advance of the regular time of closing mails, the company will be required to make such advance delivery as becomes necessary by the requirements of the service." Section 1194.

"When a messenger employed by the Post Office Department can not wait for a delayed train without missing other mails, the railroad company will be required to take charge of and dispatch the mails for the delayed train, and will be responsible for the inward mail until delivered to the messenger or other authorized representative of the Department." Section 1195.

"Whenever the mail on any railroad route arrives at a late hour of the night the railroad company must retain custody thereof by placing the same in a secure and safe room or apartment of the depot or station until the following morning, when it must be delivered at the post office, or to the mail messenger employed by the Post Office Department, at as early an hour as the necessities of the post office may require." Section 1196.

“When a train departs from a railroad station in the night time later than 9 o'clock, and it is deemed necessary to have the mail dispatched by such train, the division superintendent of Railway Mail Service will, where mail is taken from and delivered into the post office by the railroad company, request the company, or where a mail messenger or carrier is employed by the Post Office Department will direct him, to take the mail to the railroad station, at such time as will best serve the interest of the mail service. Such mail will be taken charge of by the agent or other representative of the railroad company, who will be required to keep it in some secure place until the train arrives, and then see that it is properly dispatched.” Section 1197, first paragraph.

“The division superintendent of Railway Mail Service will give reasonable advance notice to the proper officer of the railroad company, in order that the agent or representatives of the company may be properly instructed.” Section 1197, second paragraph.

“Railroad companies will be expected to place their mail cars at points accessible to mail messengers or contractors for wagon service. If cars are not so placed the companies will be required to receive the mails from and deliver them to the messengers or contractors at points accessible to the wagon of the messenger or contractor.” Section 1198.

“A mail train must not pull out and leave mails which are in process of being loaded on the car or which the conductor or trainman has information are being trucked from wagons or some part of the station to the cars.” Section 1199.

“At all points at which trains do not stop where the Post Office Department deems the exchange of mails necessary a device for the receipt and delivery of mails satisfactory to the Department must be erected and maintained; and pending the erection of such device the speed of trains must be slackened so as to permit the exchange to be made with safety.” Section 1200, first paragraph.

“In all cases where the Department deems it necessary to the safe exchange of the mails the railroad company will be required to reduce the speed or stop the train.” Section 1200, second paragraph.

“When night mails are caught from a crane the railroad company must furnish the lantern or light to be attached to the crane and keep the same in proper condition, regularly



placed and lighted; but if the company has no agent or employee at such station, the company must furnish the light, and the care and placing of same will devolve upon the Department's carrier." Section 1200, third section.

"The engineer of a train shall give timely notice, by whistle or other signal, of its approach to a mail crane." Section 1200, fourth paragraph.

The foregoing extracts, all the requirements of which are enforced by fines and deductions, disclose the fact that many extraordinary and exacting services, involving responsibility and expense, are required of railway mail carriers in addition to the mere transportation of the mails. To transfer mail from stations to post offices railways are obliged to employ messengers and to supply vehicles; to furnish rooms for "handling and storing the mails," they are obliged to enlarge their stations and to encroach upon space needed for yard purposes, and other extraordinary services obviously entail considerable expenditures as well as interference with the orderly routine of the other business of the carrying companies. There are also certain requirements of the Department which are not to be found in the regulations, although no railway feels at liberty to oppose or disregard them, such as the common demand that postal cars be placed for advance distribution and supplied with heat and light while so used. The existence of important elements of cost of this character was not overlooked by the Postmaster-General at the time the investigation which culminated in his report was begun. On the contrary, one of the original set of blanks on which the railways were asked to report (Form 2602, see copy reprinted at pages 28 and 29 of House Document No. 105) was so entitled as to indicate that it was intended to show the cost of supplying "Station service" and "Station and terminal facilities" in connection with the mail. Among other things, this form called for the following facts, to be reported separately as to each station, which were ignored and excluded in the Postmaster-General's estimates of the cost of rendering the service required by the Post Office Department:

1. Amount of wages paid to messengers and porters employed exclusively in handling mails.
2. Portion properly chargeable to mail service, pro-rated on basis of actual time employed, of wages paid to station employees a part of whose time is employed in handling mails.
3. Amount expended for maintenance of horses and wagons and for ferriage, and so forth, in connection with mail service.
4. Rental value, plus average monthly cost of light and heat, of room or rooms set apart for the exclusive use of the mail service.

5. Rental value of tracks occupied daily for advance distribution of the mail.

6. Average monthly cost of light and heat for postal cars placed daily for advance distribution of mail.

7. Interest at the legal rate upon the value of cranes, catchers and trucks required for mail service.

8. Total of the previously enumerated items of cost of rendering mail service.

Over the propriety of including every one of these items as elements in the cost of mail service, controversy is impossible. The Postmaster-General recognized this fact by asking for data under all these heads, statements of all these facts were rendered by the railways in compliance with his request and the expenditures so reported were substantial in their amounts, but it seems subsequently to have been decided that the suppression of these data was not inconsistent with a purpose to present an accurate and truthful statement of the expenses directly incurred by the railways in serving the Post Office Department and all recognition of these expenses was denied in the tabulation of the data collected. **There is not a figure derived from or representing these data in all the 270 pages of tabulated statistics of the report. In the 18 pages of textual matter there is neither a total nor a conclusion based upon them.** The summary statement signed by Second Assistant Postmaster-General Stewart does, however, contain the following:

“The data reported by the companies on Form 2602 as to expenditures for station service and station and terminal facilities furnished were carefully considered, and in view of the fact that it was found impossible to ascertain the totals of the accounts from which the amounts directly charged on this form should be deducted, and of the fact that such data were found to be unreliable in many instances, and of the further fact that it was determined that the mail service should participate in all of the station expenses upon a basis of car-foot miles, it was decided not to make use of such information in connection with the cost ascertainment.” House Document No. 105, p. 6.

The foregoing states, in effect, that the Post Office Department preferred arbitrarily to assume that station expenses for mail bear the same relation to total station expenses that the car-foot mileage made in mail service bears to the total car-foot mileage of passenger trains, rather than to accept data which it had collected that showed a different result. *The well-founded claim of the railways, a claim that no one acquainted with the methods and exactions of the postal service will dispute, is precisely to the contrary.* Station service and facilities

required for mail are greatly in excess of those which have been allowed for by the arbitrary method adopted by the Postmaster-General. The fact that the totals of the accounts from which these items were deducted were unknown to the Department is attributable solely to the fact that it did not ask to have these facts reported, they could readily have been obtained by means of a supplementary inquiry as other facts were obtained, and the omission of the officers conducting the inquiry to ask for information certainly ought not to be regarded as a sufficient reason for their failure to tabulate the facts they did obtain. The further suggestion that some of these data were "found to be unreliable," is without specification and it is unjust to the railways which at considerable expense to themselves, supplied the figures asked for.

The original reports in the possession of the Committee on Railway Mail Pay make it possible, in part, to remedy this omission of the Postmaster-General and to that end the data in these reports have been most carefully and accurately tabulated. The committee, dependent upon the voluntary co-operation of numerous railway officers located in many and widely separated cities, was naturally unable to obtain copies of all the reports sent to the Postmaster-General and its results are, therefore, necessarily and obviously incomplete. The following aggregates are submitted with the observation that they disclose portions only of the expenditures under these heads which were incurred by the railways on account of the mails. The reports available to the Committee on Railway Mail Pay show that the railways complying with its request for copies expended the following sums and reported them to the Post Office Department on its Form No. 2602:

Item	Amount
Amount of wages paid to messengers and porters employed exclusively in handling mails.....	\$79,980.84
Portion properly chargeable to mail service, prorated on basis of actual time employed, of wages paid to station employees a part of whose time is employed in handling mails .....	198,927.01
Amount expended for maintenance of horses and wagons and for ferriage, etc., in connection with mail service.....	5,640.98
Rental value, plus average monthly cost of light and heat, of room or rooms set apart for the exclusive use of the mail service.....	37,258.93
Rental value of tracks occupied daily for advance distribution of the mail.....	47,029.12
Average monthly cost of light and heat for postal cars placed daily for advance distribution of mail.....	18,400.57
Interest at the legal rate upon the value of cranes, catchers and trucks required for mail service.....	3,895.36
<b>Total .....</b>	<b>\$401,126.00<sup>1</sup></b>

<sup>1</sup>This total includes \$9,993.19 reported by four companies which gave totals for these items, but did not report the items separately.

The Postmaster-General reported the mail expenses of the railways included in Document No. 105, for the month of November, 1909, as \$2,676,503.75. It appears therefore that the omitted expenditures of these railways, for the seven items just enumerated, which constitute only a part of the items, he arbitrarily omitted from his tabulations, was not less than \$401,126.00, during that month, or 14.99 per cent of the total he reported. As this total of \$401,126.00 covers less than ninety-two per cent of the mail route mileage represented in Document No. 105 it is evident that the true percentage of omission is still higher.

## B.

### PERSONAL TRANSPORTATION.

The law enacted by Congress requires railways carrying mails to carry the persons in charge thereof without any additional compensation but by a regulation, which the Department assumes to have the force of law, the requirement has been extended to cover personal transportation for officers, agents and representatives of the postal service whether in charge of mails or otherwise.

“Railroad companies are required to convey upon any train, without specific charge therefor, all mail bags, post-office blanks, stationery, supplies, and *all duly accredited agents of the Post Office Department and post-office inspectors* upon the exhibition of their credentials.” Postal Laws and Regulations, Section 1184.

As *this personal transportation bears no definite relation to the volume of mail carried on any particular route and, whether paid for in any sense or otherwise, its amount neither increases nor diminishes the expenses of the Post Office Department; as it is, to the persons receiving it, actually free transportation*, it is not surprising that liberal use of these privileges is made. This travel is particularly extensive on certain routes on which the through travel of the representatives and agents of the Department is naturally in some degree concentrated and on such routes it loses all relation or proportion to the volume of mail carried or to the amount of mail pay. Further, the Department demands for postal employees, in both quantity and quality, free transportation far beyond that accorded to railway employees and the former, although carried free, are in the same class, as regards responsibility for accidental injuries, as are paying passengers, a class involving much greater pecuniary liability than that to either railway or express employees. In the case of express employees the principal liability is assumed by the express companies as a part of their contracts with the railways. That, in many instances, this privilege of



free transportation is so enforced as to deprive the railways of fares, both for through travel and for suburban transportation to which they are justly entitled is beyond denial. That the burden of supplying this extensive volume of personal transportation is an important element in the cost of rendering the services for which the railways are paid was fully admitted by the Postmaster-General when he addressed his inquiries to the railways. Form 2602 (see House Document No. 105, p. 28) requested the following facts as to each railway:

1. Number of miles traveled by Department officials, inspectors, etc., and railway postal clerks not actually in charge of mails.

2. Value of above, at passenger rates not exceeding two cents a mile.

These questions were answered by the railways and the data asked for are in the possession of the Post Office Department but the report contains no evidence of that fact, no use has been made of these data, they have not been compiled, aggregated or compared for the information of Congress, whatever light they would throw upon the activities of the postal service or the conditions under which it is aided by the railways has been withheld. The only allusion to this information in the report is as follows:

“The information concerning the personal transportation of railway postal clerks and agents of the Department when in charge of the mails and when not actually in charge of the mails . . . was not used. It was found impracticable to satisfactorily and fully verify it. However, no similar information was given regarding travel of officials and employees of the passenger service, and it is believed that the omission of these items with respect to the three classes of service has not materially affected the results, because there was no specific expenditure for the personal transportation involved and the mail service participated in the apportioned expenses of the passenger service on the car-foot mile basis.” House Document No. 105, p. 6.

These figures emanated from sources identical with those from which came all the data used by the Department and possess precisely equal reliability—the Department has had no more opportunity to check the other figures than it has to check these. Moreover, the suggestion that this omission is immaterial because the expenses of the passenger service have been apportioned on a car-foot mile basis is self-contradictory as *the apportionment which was made rests upon*

considering only the space actually occupied by mail as chargeable to mail service and charges all other space, including that occupied by officers and agents of the Post Office Department, traveling without charge under this requirement, to the other services rendered by passenger trains. Surely, if the cost of mail service is to be determined by the space which it requires and, in addition to space occupied by mail pouches and postal clerks the Department also demands and receives space in passenger coaches, dining cars, and Pullman sleepers and parlor cars for its officers and agents who pay no passenger fares, space which otherwise might be occupied by paying passengers, this space ought to be considered as a part of the space chargeable to the mail service. The Postmaster-General has suppressed the figures as to this travel although before they were collected he obviously believed it to be an element of importance and arranged to ascertain the facts. With no intention to reflect discredit upon the purposes of the Department it is asserted that it was, in fact, unfair to suppress these facts, that it would have been unfair not to add the space occupied in travel of this sort to the space occupied by the mails, but that the report is even more unfair than this, in that it not merely fails to include this space in the estimates of car-foot miles made in the mail service, it not merely ignores this travel but *it has actually added the space required for such travel to the space occupied by paying passengers.* In this manner the free transportation accorded to the agents of the mail service has become a means of *reducing* the estimates of the cost of carrying the mails. In other words, this method leads to the absurd result that the larger the volume of free travel demanded by the agents of the Post Office Department and the more space required by them, the higher would be the proportion of the total passenger train space which would be assigned to passenger service and hence the smaller the portion of the total train cost which would be apportioned to the mails. The annual value of this personal transportation, not required by law but demanded by the Department, exceeds \$1,000,000.00.

### C.

#### RELATIVE RECEIPTS FROM PASSENGER, EXPRESS AND MAIL TRAFFIC.

Although the passenger train services are not proportionately profitable, any just comparison of the receipts of the railways from mail traffic with the returns from any other passenger train traffic which they carry will show that the mail service falls farther below the level of reasonable remuneration than any other among the services rendered

on such trains. In order to make clear the fact that such a showing would be the natural consequence of a comparison made upon the basis chosen by the Postmaster-General, that of relative car-foot mileage, the Committee on Railway Mail Pay has carefully tabulated data reported to the Department in response to his requests, having been supplied for that purpose by many railways with duplicate copies of the reports, with the results shown by the table on page 20.

The totals and averages on page 20 have been derived from a painstaking and accurate tabulation of returns made by 187 railways, operating 2,411 mail routes and 178,709.96 miles of line, to the Post Office Department in compliance with its request and on the forms by its officers prepared. They doubtless epitomize the results which would appear from a complete tabulation of all the data received by the Department.

*That information as to the relative returns resulting from the different services supplied by the railways is essential to sound judgment as to the reasonableness of charges is elementary and fundamental and it is respectfully submitted that Congress, in connection with any report concerning railway mail pay is entitled to all the pertinent information in the possession of the officer or department making the report. These omitted facts were in the possession of the Post Office Department, it had been considered worth while to collect them, but again facts of primary significance were withheld. These suppressed data were collected on the Postmaster-General's inquiry blank designated as Form 2604 which is printed on page 30 of House Document No. 105. No explanation of the reasons for this withholding of available, relevant and important facts is to be found anywhere in the report.*

## SECOND.

*The Postmaster-General has arbitrarily transferred to the passenger service much of the so-called "dead" space in mail cars, although this space could not be utilized as passenger space, thus improperly increasing the apparent car-foot miles of passenger service, and correspondingly decreasing the car-foot miles of mail service.*

### A.

#### CAR-FOOT MILEAGE DEFINED.

As will more fully appear later in this report (see page 32 et seq.) the Postmaster-General has made the relative "car-foot mileage" devoted, respectively, to passengers, to express and to mail, the basis of apportioning operating cost and taxes and has also used the same

Item	Mail	Express	Passenger	Total
Car-foot miles.....	1,153,110.245	1,320,108.589	9,902,370.150	12,375,588.984
Per cent of total.....	9.32	10.67	80.01	100.00
Receipts .....	\$3,721,796.04	\$5,075,221.53	\$43,738,722.85	\$52,535,740.42
Per cent of total.....	7.08	9.66	83.26	100.00
Average receipts per car-foot mile.....	3.228 mills	3.855 mills	4.417 mills	4.245 mills
Average receipts per 1,000 car-foot miles.....	\$3.23	\$3.86	\$4.42	\$4.25
Per cent of average receipts per car-foot mile to average from mail .....	100	119	137	132



data as a means of comparing both the present gross receipts and his estimates as to net receipts from these different services. Before setting forth the manner in which his methods have unjustly diminished the assignment of space to the mails and correspondingly increased the assignment to passengers, it is desirable to explain clearly the meaning of a "car-foot" and a "car-foot mile" as those units are used in the report. Measuring the inside length of a car from end to end and stating the length in feet gives the number of "car-feet" for that car. Ascertaining the car-feet of each car in a train and aggregating them produces a total which is the number of car-feet for the train. In other words, each linear foot of space available for traffic or for the handling or service of traffic in a car or train is a "car-foot." A car-foot combined with motive power and moved a mile becomes a "car-foot mile;" multiply the number of car-feet in a train by a number equal to the number of miles traversed by the train and the product thus obtained measures the movement in terms of car-foot miles. Space is ordinarily measured in square-feet and it should be understood that the car-foot differs from a square-foot in a car in that while the latter consists of 144 square inches the former is a linear foot measured clear across the car and, therefore, assuming the inside width of the car to be nine feet, would contain nine square feet or 1,296 square inches. It should also be clearly understood that the concept of the "car-foot," as used by the Postmaster-General and in this report is confined exclusively to those portions of the car or train which are required for the occupation or accommodation of traffic while the train is in motion and excludes engine and tender lengths as well as vestibule and platform space. Another fundamental characteristic of this method of admeasurement is that it includes aisle space in passenger coaches, sleepers and parlor cars as well as smoking-rooms, lavatories, toilet rooms, dining cars, and club and lounging cars or compartments.

## B.

### "DEAD SPACE" DEFINED.

The term "dead space" as used by the Postmaster-General, is seriously misleading. An analysis of the transportation conditions which are involved readily discloses the fact that the space which he so designates belongs invariably to one of two classes. It is either (a) working space required for the accommodation of the persons or traffic actually in process of transportation or, (b) unused space necessarily provided in order to accommodate persons or traffic which may presently seek transportation and in such case must be cared for. The aisles of a passenger car, used for the ingress and egress of passengers, the lavatories, the

smoking rooms, all dining car space, etc., constitute working space but this space is not properly designated as "dead" space unless that term is understood to express neither absence of utility nor of productivity. Such space is an absolute necessity of the service. Trains in suburban passenger service leave the cities which they serve with the seats nearly all filled, unused space accumulates as, at each successive station, more passengers debark than are taken up—but this unused space is a necessity of the service and its cost ought unquestionably to be met by the receipts from this branch of the service. All such space is "dead space," as the term has been applied by the Postmaster-General but *it is not in any sense useless or unnecessary space, much less is it space which can be provided without cost to the railways or that ought to go unrecompensed by their revenues.*

The obstacle to clear thinking involved in this misleading nomenclature having been removed, it is pertinent to observe that, using the term in the sense in which it is used in Document No. 105, "dead space," as well as "dead weight," is an universal incident of transportation upon almost any scale and by almost any means. The laborer with his wheelbarrow carries his load in but one direction; the weight of his wheelbarrow is "dead weight," the space occupied by the load during one-half of his round-trip is "dead space" during the other half. The milk wagon making its morning rounds accumulates "dead space" as it distributes its "paying load." The grain-carrying trans-Atlantic steamers, being unable usually to obtain westbound cargoes equal in bulk to the food-stuffs which they carry eastward, have much "dead space" on their westward trips. Railway traffic affords no exception to the general rule. Although the genius of rate-making officers has for more than a generation been largely devoted to efforts to develop equality of loading in different directions there is no considerable route over which the empty-car movement and the partially-loaded car movement are not matters of continuing concern. More than this, it is not uncommon to have seasonal variations in volume of traffic so that a heavy empty-car movement in one direction is unavoidable at one season although during the balance of the year there is an equally heavy movement of unloaded cars in the reverse direction. "Dead space" is also of importance where, for any reason, the load is wholly or partially distributed while the train or car is en route as, for example, in local less-than-car-lot movement of freight and, as already noted, in suburban passenger service.

In the mail service so-called "dead space" of both varieties is unavoidable and important in its extent and cost. Closed mail pouches may occupy but a small amount of floor space in the end of a baggage car but this is only a fraction of the space that must be provided in

their service. In order that pouches may be taken on and put off at each mail station there must be "working space" in the car, aisles leading to the doors must be kept free and open and no impediment to prompt and efficient handling can be permitted. Rarely, if ever, on any route, is the volume of mail equal in both directions and the delivery of mail at intermediate stations is seldom equalled by the mail taken up at the same stations. There are many cases in which larger postal cars, or apartment cars, or more storage cars are required in one direction than in the other. Obviously these cars must be returned or the service could not be maintained, it is equally obvious that the "dead space" in baggage cars carrying closed pouches of mail must equal the difference between the loading with mail at any particular time or point en route and the maximum quantity of mail at any time or point. Such temporarily unused space is palpably necessary.

### C.

#### RELATION OF "DEAD SPACE" TO COST OF ANY SERVICE.

It is perfectly plain that if a car or part of a car must be returned empty or if it must be carried during any part of its necessary movement empty, the paying load which it has in the other direction or during the balance of the journey, ought to bear the expenses of the empty movement. The justice of this principle is self-evident—it requires neither elaboration nor discussion. As a consequence of the foregoing there are, in practice, two ways in which it would be reasonable to treat the dead space in passenger train service if it should be considered practicable to ascertain the total cost of such service and to apportion that total among passengers, express and mail in proportion to the space required. No criticism of the treatment of "dead space" would have been made herein had the Postmaster-General adopted either of the following plans:

First. Added the "dead space" incident to each branch of service to the paying space of that service, or,

Second. Ignored "dead space" made in all services and made the apportionment on the basis of paying space only.

### D.

#### WHAT THE POSTMASTER-GENERAL DID.

The Postmaster-General adopted neither of the foregoing plans. On the contrary he unjustly deducted from the mail service much of the dead space necessarily incident to that service and added it to the

space attributed to the passenger traffic although before the addition was made passenger space had included all the dead space actually incident to the transportation of persons. He insisted on the assignment to passengers of "working space" necessary for the mails in baggage cars although if such space were taken away they could not be handled, he refused to regard as mail space reserve space where larger cars or compartments than were presently asked for by the Department were supplied, although the extra space was indispensable in the working of the mails, and he transferred to the passenger service unused space when the maximum mail movement in one direction exceeded that in the other or such maximum was not reached during the period covered by his investigation. It may be noted, parenthetically, that even in the reports rendered by the railways the space occupied by officers, agents and representatives of the Post Office Department not in charge of mails, who are furnished with transportation as an incident of the carriage of the mails and without any other compensation therefor, had been included in the space apportioned to passenger travel—plainly it ought to be considered as space assigned to mail service. Express space was made to include all "dead space" incident thereto, so that the mail service, alone, was singled out for exceptional treatment and in such a way as seriously to understate the demands which it makes upon passenger train service and greatly to reduce the portion of the cost of such train service assigned to the mails. **These modifications of the data correctly reported, not susceptible of justification upon any sound transportation principle, were carried so far, in the tabulations of the Post Office Department that its results, which are stated for railway routes having a total length of 194,977.55 miles (Document No. 105, p. 58), show a smaller car-foot mileage made in the mail service than was actually reported by the railways concerned for routes having a length of 178,709.96 miles.** The table on page 25 compares the Department's total figures for 194,977.55 route miles with the totals of reports which it received covering 178,709.96 route miles.

As the difference between the route miles covered by the Department's aggregates and by those of the routes whose reports were made available to the Committee on Railway Mail Pay amounts to 8.34 per cent of the former it would appear that the excess of the Department's figures of car-foot miles ought, in every case, roughly to approximate the same percentage. But the foregoing shows that while the figures of the Department as to car-foot miles made in the passenger and express service are able to support this test of their accuracy the same test demonstrates the inaccuracy of the Department's figures as to car-foot miles made in the mail service. This may be shown in another way.

Service	Post Office Department 194,977.55 route miles (1)		Reported by railways 178,709.96 route miles		Differences			
	Car-foot miles	Per cent of total	Car-foot miles	Per cent of total	Excess of Department's figures		Excess of railway's figures	
					Car-foot miles	Per cent of Department's figures	Car-foot miles	Per cent of Department's figures
Passengers .....	10,634,749,747	82.18	9,902,370,150	80.01	732,379,597	6.89	.....	.....
Express .....	1,379,315,759	10.66	1,320,108,589	10.67	59,207,170	4.29	.....	.....
Mail .....	926,164,459	7.16	1,153,110,245	9.32	.....	.....	226,945,786	24.50
Total .....	12,940,229,965	100.00	12,375,588,984	100.00	564,640,981	4.36	.....	.....

<sup>1</sup> Document No. 105, pp. 58-9.



In the following table the average number of car-foot miles per mile of mail routes, for each service, as reported by the Post Office Department is compared with the averages resulting from the data reported to the Department by the railways.

Service	Average number of car-foot miles per mail route mile		Excess of averages from railway reports	
	Reported by Post Office Department	Calculated from reports of railways	Car-foot miles	Per cent of Department's figures
Passenger . . . . .	54,544	55,410	866	1.59
Express . . . . .	7,074	7,387	313	4.42
Mail . . . . .	4,750	6,453	1,703	35.85
Total . . . . .	66,368	69,250	2,882	4.34

The foregoing shows that the extensive modifications of the data showing car-foot miles made in the mail service, reported by the railways, have resulted in an average for that service, per mile of the mail routes covered, that must be increased by 35.85 per cent to equal the real average discoverable from the reports rendered by railways constituting 92.66 per cent of the mileage covered by the Department's report. *This percentage of difference is more than eight times the percentage resulting from comparing the Department's figures for the express service with those compiled by the Committee on Railway Mail Pay and more than twenty-two times the difference as to the passenger service.* It is no doubt true that the omissions in the figures available to the Committee on Railway Mail Pay are principally those representing mail routes having a volume of traffic, in all services, more or less below the averages resulting from its tabulations but while this is freely admitted it is plain that the omitted routes could not so greatly offset the average for the mail service as to overcome even a major fraction of the enormous difference of 35.85 per cent in the average of car-foot mileage for mail service. The omissions may, however, and probably do, account for the divergencies as to the other services. The manner in which the data reported by particular roads were modified in the Post Office Department in order to obtain the results presented in the last two of the foregoing tables is illustrated by the comparisons on page 27 between the figures reported to the Department by the Atchison, Topeka & Santa Fe Railway system and those presented in Document No. 105 (pages 38-9, 60) as representing the same system.

These comparisons show that the Department, without giving any explanation for its action reduced the reports of car-foot mileage of the Atchison, Topeka & Santa Fe Railway, made in the mail service, 36.45 per cent while making no material change in the data for the other services.

Car-foot miles

Item	As reported by the company	As stated by Post Office Department				Per cent of total space		
		Amount	Increase		Decrease		As reported by the company	As stated by Post Office Department
			Amount	Per cent	Amount	Per cent		
<b>Passenger service:</b>								
Space utilized	.....	550,727,960	.....	.....	.....	.....	80.79	
Dead space	.....	14,966,609	.....	.....	.....	.....	2.20	
Total	592,035,162	565,694,569	.....	26,370,593	4.45	81.36	82.99	
Express service, space	80,132,841	80,714,628	581,787	0.73	.....	11.01	11.84	
<b>Mail service:</b>								
Postal cars space	33,283,999	17,494,235	.....	.....	15,789,764	47.44	2.57	
Apartment cars space	16,227,758	16,315,089	87,331	0.54	.....	.....	2.39	
Closed pouch space	5,190,173	1,390,237	.....	.....	3,799,936	73.21	.20	
Storage space	782,710	61,953	.....	.....	720,757	92.08	.01	
Total	55,484,640	35,261,514	.....	.....	20,223,126	36.45	5.17	
Grand total	727,682,643	681,670,711	.....	.....	46,011,932	6.32	100.00	

Other changes by the Post Office Department in the car-foot mileage made in the mail service, reported in response to its request, are disclosed by the following table: (See insert 28A).

Nowhere in the Postmaster-General's report is there any explanation of the reasons for these very extensive changes in the basic data utilized in his calculations nor, indeed, is there any intimation that any modifications of importance were made. There is no admission that any changes at all, arbitrary or otherwise, were made save in the bare statement on page 6 that discrepancies and inaccuracies were corrected. It is submitted that this acknowledgement is utterly inadequate recognition of changes which, as shown by the statement (Insert, 28A), covering only the roads named, aggregate 210,326,652 car-foot miles, or an average of 21.28 per cent. Apparently it was thought to be proper that Congress should be left to understand that barring minor and relatively unimportant corrections the data reported had been obtained from the railways and were, therefore, presumably accepted by them as truthful statements of facts. Nothing could be more contrary to the real situation. As has been seen the statements made by the railways were radically reduced in nearly every instance; the carriers assert and are prepared to sustain the essential accuracy of their reports. The units of the Department's calculations are necessary if its results are to be satisfactorily checked and corrected and the Postmaster-General should be required to transmit the original data to Congress and thus to afford an opportunity to trace in detail the changes which he has felt authorized to make and for testing the validity of these changes and of the resulting averages and aggregates. By no other means can the true figures be established with certainty nor can the railways otherwise be accorded a fair opportunity to demonstrate the complete accuracy of their original returns. It can be demonstrated that scrutiny of these original data and computations would disclose numerous and serious clerical errors and omissions by the Department resulting in a further unjust reduction in the train space credited to the mails. Such errors have since been conceded by the Department in the case of individual roads, the aggregate of the conceded corrections in the case of one system being about 19,000,000 car-foot miles, and these concessions by the Department go far to discredit the entire value of Document No. 105.

#### E.

#### FURTHER PROOF OF ARBITRARY TREATMENT OF SPACE.

The absence of any uniform or rational relation between the car-foot mileage for mail service reported in Document No. 105 and the



services demanded by and supplied to the Post Office Department is made fully apparent by an examination of the figures given for some

of only three-quarters of a mile or 2.13 per cent; both routes have closed pouch service only; both are now paid at the minimum per mile rate,

## Car-foot miles made in mail service including dead space.

Name	As reported by	As reported by	Deducted by Postmaster-General	
	Company	Postmaster-General	Amount	Per cent.
Atlantic Coast Line.....	16,800,427.66	13,659,616.79	3,140,810.87	18.91
Baltimore & Ohio.....	33,134,016.00	25,391,705.45	7,742,310.55	23.37
Bessemer & Lake Erie.....	424,741.00	300,775.00	123,966.01	29.19
Boston & Maine.....	14,829,915.00	11,571,623.63	3,248,091.37	21.87
Central of Georgia.....	6,039,319.00	4,839,059.92	1,200,259.08	19.88
Central Railroad of New Jersey.....	2,162,250.00	1,530,359.74	631,890.26	29.22
Central Vermont.....	2,265,184.00	1,807,204.00	357,980.00	15.80
Chicago & Northwestern.....	38,629,570.80	32,249,574.98	6,371,295.82	16.50
Chicago, Burlington & Quincy.....	62,246,120.00	50,749,723.90	11,496,396.01	18.45
Chicago, Milwaukee & St. Paul.....	46,226,437.00	35,471,925.00	10,854,512.00	23.43
Chicago, Rock Island & Gulf.....	12,181,058.00	9,108,873.86	3,072,184.14	25.78
Cingo, Rock Island & Pacific.....	28,667,182.00	30,188,206.00	8,462,965.91	21.30
Cleveland, Cincinnati, Chicago & St. Louis.....	21,950,439.00	17,610,458.37	4,340,110.63	19.77
Colorado Midland.....	287,863.00	204,482.01	83,380.99	24.08
Delaware & Hudson Company.....	3,838,876.00	2,270,541.27	1,568,334.73	40.78
Delaware, Lackawanna & Western.....	4,701,725.00	4,387,360.29	314,364.71	6.70
Denver & Rio Grande.....	5,839,625.00	4,710,390.45	1,129,234.55	19.20
El Paso & Southwestern.....	2,888,643.40	1,854,584.86	1,032,049.54	35.75
Erie.....	11,447,692.00	10,333,747.00	1,113,945.00	9.73
Fort Worth & Denver City.....	1,778,744.42	1,614,222.00	164,522.42	7.56
Georgia, Southern & Florida.....	2,032,309.00	1,227,000.50	755,308.44	37.17
Grand Trunk.....	2,706,577.00	2,272,677.00	433,900.00	15.99
Grand Rapids & Indiana.....	5,772,650.71	4,821,869.70	950,781.01	16.46
Great Northern.....	43,456,691.00	39,889,628.00	12,567,063.00	28.92
Illinois Central.....	37,537,425.00	25,683,805.40	11,853,619.60	31.58
International & Great Northern.....	4,601,135.00	3,694,491.00	906,644.00	19.70
Lake Erie & Western.....	2,457,400.00	1,955,023.42	502,376.58	20.48
Lake Shore & Michigan Southern.....	43,477,963.00	40,808,934.16	2,668,928.84	6.10
Leland Valley.....	3,719,580.00	4,054,625.25	1,658,954.75	23.04
Long Island.....	1,210,724.00	953,315.87	257,408.13	21.26
Louisville & Nashville.....	20,770,314.00	18,191,222.62	2,579,091.38	12.42
Maine Central.....	5,081,963.00	4,472,248.00	609,655.00	12.00
Michigan Central.....	8,586,014.00	7,176,429.36	1,409,584.64	16.42
Missouri Pacific.....	12,484,880.00	9,228,640.71	3,198,045.29	25.52
Minneapolis, St. Paul & Sault Ste. Marie.....	21,395,240.00	16,887,104.88	4,508,135.12	21.07
Nashville, Chattanooga & St. Louis.....	8,160,443.00	6,105,558.37	2,054,889.32	25.18
New York Central & Hudson River.....	54,095,822.00	49,676,804.00	5,619,018.00	9.28
New York, Chicago & St. Louis.....	867,792.00	807,040.38	56,751.62	6.55
New York, Ontario & Western.....	1,087,257.00	982,220.04	105,036.96	9.66
Norfolk & Western.....	8,707,477.20	7,291,068.89	1,416,508.41	16.26
Northern Central.....	2,894,003.00	2,696,273.64	288,410.36	9.96
Northern Pacific.....	20,673,240.40	19,844,226.98	9,259,073.42	31.85
Oregon Railroad & Navigation.....	8,411,872.30	5,636,912.25	2,774,960.05	32.99
Oregon Short Line.....	11,588,199.00	7,635,433.00	3,952,766.00	34.11
Pennsylvania Company.....	28,747,137.00	23,288,845.22	5,458,291.78	18.99
Pennsylvania Railroad.....	57,819,519.00	47,426,418.00	10,345,146.92	17.71
Pocon & Eastern.....	1,814,670.00	1,381,441.10	433,228.90	23.87
Philadelphia & Reading and affiliated lines.....	5,226,860.64	3,270,478.16	1,955,907.88	37.42
Philadelphia, Baltimore & Washington.....	8,265,728.00	6,479,823.25	1,785,904.75	21.60
Pittsburgh & Lake Erie.....	705,207.00	473,433.79	231,773.21	32.86
Pittsburgh, Cincinnati, Chicago & St. Louis.....	15,100,450.00	12,054,004.27	3,028,300.73	20.02
St. Louis, Cincinnati & Northern.....	37,149,121.00	24,682,363.82	7,277,086.17	19.65
St. Louis Southwestern.....	2,041,895.00	1,611,046.90	430,848.10	21.10
San Antonio & Aransas Pass.....	1,286,542.00	1,155,679.86	130,862.14	10.17
San Pedro, Los Angeles & Salt Lake.....	2,962,260.00	1,782,241.20	1,080,018.80	36.49
Seaboard Air Line.....	12,094,121.00	10,465,493.76	2,510,684.24	19.41
Southern.....	37,149,121.00	28,983,916.68	8,207,191.32	22.07
Southern Pacific.....	39,376,431.80	31,010,229.97	8,266,188.03	21.25
Texas & Pacific.....	7,429,705.00	6,271,189.34	1,158,515.66	15.59
Toledo, Peoria & Western.....	1,139,212.00	527,308.13	611,903.86	53.80
Union Pacific.....	37,228,978.00	25,458,459.00	11,770,519.00	34.30
Vandalia.....	14,827,412.00	10,908,799.55	3,918,612.45	26.43
Vermont.....	444,269.00	450,071.11	118,927.81	26.92
Walsh.....	21,132,209.00	16,232,064.31	4,900,204.69	23.19
West Jersey & Seaboard.....	1,132,387.50	693,987.04	438,399.96	38.71
Wheeling & Lake Erie.....	811,313.00	577,655.62	234,257.38	28.97
Wichita Valley.....	560,015.00	324,088.66	235,926.34	40.91
Total.....	988,524,286.02	778,197,695.71	210,326,652.31	21.28

services demanded by and supplied to the Post Office Department is made fully apparent by an examination of the figures given for some of the smaller routes and comparing them with the services rendered on those routes. The table on page 30, prepared from the Postmaster-General's Table 8-A (Document No. 105, pp. 282-3), supplemented, as to the figures of one column only, by reference to the annual reports of the Second Assistant Postmaster-General for the years 1908 to 1911, inclusive, amply demonstrates the truth of this statement.

The foregoing table includes every route, having closed pouch service only and for which the data contained in the second, third and seventh columns are given, represented in Table 8-A of the report. The figures in the second, third and seventh columns are taken from that report and those in the fourth are based upon facts shown in successive annual reports of the Second Assistant Postmaster-General. The figures in the fifth column, headed "pound miles during November, 1909," are the product of those in the second and third columns multiplied by thirty; those in the sixth column, headed "service miles during November, 1909," are the product of those in the second and fourth columns; those in the eighth are quotients of those in the fifth divided by those in the seventh, and those in the ninth are quotients of those in the sixth divided by the same divisors. The wide range in the relations disclosed by the figures in the last two columns of this table points plainly to the unreliability of the method adopted in assigning car-foot miles and it is clear that if such inconsistent results are found as to these smaller routes, divergencies from the facts at least equal in proportions must vitiate the more elaborate and difficult calculations necessary in connection with the more important mail routes. It is startling, therefore, to find that the Postmaster-General has assigned a car-foot mile to every eight pound miles in one instance (Route No. 110,224) while in another the proportion is one car-foot mile to 167 pound miles (Route No. 169,019). Equally surprising is the variation in the relation between service-miles and car-foot miles, the range shown by the table being from 0.49 service miles (Route No. 147,039) per car-foot mile to 2.04 (Route No. 116,021).

A particularly strange contrast appears in the Postmaster-General's Table 8-A between route 176,064, operated between Plumas Junction and Clio, California, by the Sierra Valleys Railway, and the route immediately following in the table which is 168,020, operated by the Arizona & Colorado Railroad, of the Southern Pacific Company's system, between Cochise and Gleason, Arizona. These routes are 36.14 and 5.37 miles in length, respectively, thus showing a difference in length of only three-quarters of a mile or 2.13 per cent; both routes have closed pouch service only; both are now paid at the minimum per mile rate,

Route number	Length, in miles	Average Daily Weight, in pounds	Number of single trips during November, 1909	Pound miles during November, 1909	Service miles during November, 1909	Car-foot miles during November, 1909	Pound miles per car-foot mile	Service miles per car-foot mile
139,072	15.23	148	50	62,621	762	1,134.90	55	0.67
168,021	6.41	94	60	18,076	385	194.06	93	1.98
168,023	20.30	52	60	31,668	1,218	1,010.94	31	1.20
118,051	9.62	74	100	21,356	962	488.80	44	1.97
114,057	17.39	113	50	58,952	870	750.98	79	1.16
110,063	9.01	65	100	17,569	901	449.28	39	2.01
126,041	20.38	126	100	77,036	2,038	1,759.20	44	1.16
149,030	29.64	82	60	72,914	1,778	1,593.60	46	1.12
110,024	8.08	14	100	3,394	808	416.00	8	1.94
139,091	42.40	98	105	124,656	4,452	2,280.44	55	1.95
114,072	16.46	78	100	38,516	1,646	832.00	46	1.98
107,010	26.73	37	75	29,670	2,005	1,176.07	25	1.70
118,075	13.15	94	50	37,083	658	604.24	61	1.09
121,028	10.36	205	150	63,714	1,554	780.00	82	1.99
107,165	10.84	175	100	56,910	1,084	749.80	76	1.45
176,115	36.03	152	104	164,297	3,747	2,830.89	58	1.32
137,030	61.29	85	50	156,280	3,064	2,632.76	59	1.16
137,128	50.68	53	73	80,581	3,700	2,319.52	35	1.60
147,028	23.22	93	60	64,784	1,393	1,142.42	57	1.22
147,039	39.81	130	60	153,259	2,389	4,867.20	32	0.49
114,068	19.77	42	50	24,910	988	783.36	32	1.26
126,028	20.09	67	75	40,381	1,057	786.50	51	1.92
107,182	21.19	133	100	84,548	2,119	1,544.00	55	1.37
107,054	7.66	169	100	38,836	766	819.85	47	0.93
120,034	9.66	208	150	60,278	1,449	805.19	75	1.80
116,077	6.09	128	118	23,386	719	725.34	32	0.99
169,019	12.00	177	60	63,720	720	380.70	167	1.89
116,197	17.11	96	50	49,277	856	582.40	85	1.47
176,064	36.14	136	50	147,451	1,807	3,246.48	45	0.56
168,020	35.37	192	60	203,751	2,122	1,810.19	113	1.17
127,048	20.09	54	50	32,546	1,004	726.18	45	1.38
114,030	5.26	148	170	23,354	894	443.70	53	2.01
114,071	12.62	26	50	9,844	631	327.00	30	1.93
120,052	6.28	88	110	16,579	691	514.60	32	1.34
110,014	3.58	140	100	13,036	358	179.56	84	1.99
116,021	11.02	112	100	37,027	1,102	540.80	68	2.04
145,082	23.60	120	58	84,960	1,369	1,013.40	84	1.35

NOTE. Columns 2, 3 and 7 are from Document No. 105, Table S-A; column 4 is based on annual reports of the Second Assistant Postmaster-General for 1908-1911; column 5 = 2 x 3 x 30 days; column 6 = column 2 x 4; column 8 = column 5 ÷ 7; column 9 = col

the difference in length giving a difference in annual compensation of \$32.92; reference to page 256 of the annual report of the Post Office Department for the year 1910 shows that on route 176,064 the service is six times per week in both directions while page 238 of the same report shows that on route 168,020 the service is seven times per week; the average daily weight of mails given in Document 105 for these routes is 136 and 192 pounds, respectively. Here, then, are two routes that present no wide or marked difference of any sort, they carry about the same distance very similar quantities of mail, in the same manner, and with little difference in frequency of service. It would be reasonable to suppose that the car-foot mileage assigned to these routes would not vary more than these controlling conditions of service. But such is not the case. The route carrying only 136 pounds of mail daily (176,064) has been assigned 3,246.48 car-foot miles and the route carrying 192 pounds has been assigned only 1,810.19 car-foot miles. Thus an excess of 79.34 per cent in the car-foot miles assigned to route 176,064 over those assigned to route 168,020 rests upon no more substantial basis than 16.67 per cent more frequent service and 2.13 per cent greater length of haul and is despite an excess of average daily weight on the latter route of 41.18 per cent. Curiously enough the vagaries of the methods followed by the Department provide an offset for this assignment of 80 per cent more car-foot miles to one route than to the other and table S-A further shows that the Postmaster-General estimates the cost incurred in its mail service of the route which he says made 3,246.48 car-foot miles as \$15.25 and that of the route which made 1,810.19 car-foot miles as \$20.71. These figures give an average car-foot mile cost of 11.441 mills for the Arizona & Colorado, which is a part of a great system, as compared with an average of 4.69 mills for the Sierra Valleys Railway, a difference of 243.94 per cent of the smaller average.

The following statement demonstrates still more vividly the inequalities resulting from the application of the Postmaster-General's method of assigning space.

Route No.	Length in miles	Average daily weight, 1909	Car-foot miles made in closed pouch service*	Number of trains per day	Number of car-foot miles reported by railway
107,074	12.64	291	2,679	10	4,790
110,024	12.25	989	2,521	10	6,734

These two routes have only closed pouch service and are about the same length, have the same number of trains carrying mail and similar conditions in every way, except No. 110,024 carries about three and one-

\*Reported in Document No. 105.



half times as much mail as 107,074, nevertheless the Postmaster-General credits 107,074 with 158 car-foot miles in excess of the number credited to No. 110,024. Such inconsistencies as these counteract any superficial plausibility that the report might otherwise possess and destroy all confidence in the accuracy of its conclusions as to space or cost of service.

## F.

### THE EFFECT OF THESE ARBITRARY METHODS.

Under the methods applied by the Postmaster-General and by reason of the recommendation which he bases upon these figures the facts as to relative space devoted, respectively, to passengers, express and mail become of the first importance. They are the facts which control the estimates of cost and, therefore, the recommendation as to compensation. By arbitrarily reducing the car-foot mileage made in the mail service of any company the Postmaster-General reduced the estimate of cost of carrying the mail for that company because, by his method, cost is largely a derivative of car-foot miles, and he also reduced his proposal as to its compensation for he asks to be authorized to base payment upon his alleged costs. Using the data as to the Atchison, Topeka & Santa Fe System, in the table on page 27 it is possible to ascertain just how much the changes affected the results claimed by the Postmaster-General as representing the mail operations of that system. Turning, first, to pages 272 and 273 of the report it appears that in his table 7 the Postmaster-General reports the "operating expenses and taxes chargeable to passenger traffic" of the Atchison, Topeka & Santa Fe as \$1,964,620.10, that no part of this was directly charged to mail and that \$97,186.52 was apportioned to mail. A simple arithmetical calculation supplies the omitted element in this statement and discloses the fact that \$84,803.47 of the \$1,964,620.10 was directly charged to passengers and express and that the balance, \$1,879,816.63 was apportioned on the car-foot mileage basis. As the Department had allowed only 5.17 per cent of passenger train space to the mails it assigned only 5.17 per cent of this total expense to the mails. But the company reported 7.63 per cent of its passenger train space as devoted to mail and not 5.17 per cent, the figure used by the Postmaster-General. If the latter had used the company's figure the cost apportioned to mail, by his method, would have been \$143,430.01 instead of \$97,186.52 as stated in table 7. The revenue from mail of this system is given in the same table as \$159,567.06, so that if the Department had used the accurate figures reported by the company it would have found a moderate surplus over operating cost and taxes of but \$16,137.05 instead of the surplus of \$62,380.54 which it claimed to find. And this result would have

been inevitable, except for the arbitrary changes in the data as to space, in spite of the fact that the reported operating cost of the whole passenger train service is very much too low. *What is true as to the effect of these changes with respect to the Atchison, Topeka & Santa Fe's figures is true as to substantially every company included in the report.*

## G.

### CONCLUSION NECESSARY FROM THESE FACTS.

The inevitable conclusion from these necessarily destructive criticisms drawn from the figures of the report and the public records of the postal service is, that all the elaborate tables prepared in the Post Office Department, so far as they purport to show car-foot mileage made in the mail service, are based upon radical modifications of the data reported at its request and upon arbitrary and undisclosed estimates with the result that they throw no light whatever upon the real or relative extent or cost of the services and facilities supplied by the railways. On the contrary, they destroy the value of every calculation in which they are an element and, as they enter into the most fundamental computations which Document No. 105 contains they deprive the whole report of whatever value it might otherwise possess. Until these data are carefully checked and fully corrected, and the modifications which these corrections would entail extended to the figures that are dependent upon or result from the use of car-foot mileage the use of Document No. 105 as a basis or guide in the formulation of legislation would be unfair, unwise and indefensible.

### THIRD.

*The Postmaster-General has apportioned expenses incurred for the joint purposes of the passenger and freight services between these services, in accordance with a method never accepted by any one with practical experience in railway accounting or operation.*

The fairness of railway mail pay can be tested by apportioning operating expenses between passenger and freight traffic, and then making a secondary apportionment of the passenger expenses between mail and other kinds of traffic carried on passenger trains. This method involves charging directly to each kind of traffic all expenses pertaining exclusively thereto, and the apportionment, on some fair basis, of those expenses which are common to more than one kind of traffic.

In accordance with the request of the Postmaster-General, the railways estimated the cost of conducting the mail service in the manner

just explained and reported the results to the Postmaster-General. After first charging to each service the expenses wholly due to it they apportioned the common expenses between the passenger and freight services, following (with inconsequential exceptions) the method most generally employed for that purpose.—namely the apportionment of these expenses in the proportions of the revenue train mileage of each service. Having estimated, in this way, the operating expenses attributable to passenger trains, the railways assigned to the mails the portion of this aggregate indicated by the proportion of the total passenger train space required for the mails. Using this method, 186 railways, operating 2,370 mail routes, with a total length of 176,716 miles, ascertained and reported that for November, 1909, the operating expenses (not including taxes), for conducting the mail service were \$4,009,184. The Postmaster-General states (Document 105, page 281), that all the railways represented in the foregoing, and enough others to increase the mileage represented to 194,978 miles, were paid for the same month only \$3,607,773.13. It thus appears that the pay was far below the operating expenses, without making any allowance for taxes or for a return upon the fair value of the property employed.

While different methods are in use for ascertaining the cost of passenger train service and the results produced by such methods may show considerable variation, yet the mail pay is so far below reasonable compensation, from the standpoint of the cost of the service and a return upon the value of the property, that no method can be reasonably urged which would not demonstrate the non-compensatory character of the present mail pay. This is illustrated by the method which the Postmaster-General himself employed, as the character of that method is such that it necessarily produces the very lowest estimate of cost for the passenger train service.

The Postmaster-General, by his method of apportionment arrived at a cost of.....	\$2,676,503.75
But this must be increased on account of his erroneous apportionment of car space by.....	800,802.00
And also on account of his refusal to assign expenses directly incurred in the mail service (page 15)....	401,126.00*
Total, according to the Postmaster-General's method of apportioning costs between passenger and freight traffic .....	\$3,878,431.75

Thus even the Postmaster-General's method of apportioning costs between freight and passenger traffic produces an operating cost in excess

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\* There may be some duplication in this item, but to eliminate it would require an elaborate computation which, in view of the broad margin of expenses over receipts, is wholly superfluous. Whatever duplication exists must be small in comparison with this margin.

return upon the fair value of the property or necessary but non-income of the total pay received by the railways, leaving nothing whatever for producing improvements.

There is no allowance, in any of these estimates of cost, for the large volume of free transportation supplied to officers and agents of the Post Office Department, when not in charge of mail, although this amounts to over 50,000,000 passenger miles annually and, at the low average rate of two cents per mile, would cost the Post Office Department more than \$1,000,000 per year.

#### FOURTH.

*The Postmaster-General has wholly overlooked the fact that a large part of the costs incurred by the railways in carrying the mails, consists of interest on the capital they employ. By ignoring all capital expenses, confining his attention to mere operating costs, and proposing to return to the railways only the amount of these operating costs, plus six per cent, he urges a method which, if applied generally to all their business, would render every railroad at once bankrupt.*

#### A.

#### POSTMASTER-GENERAL ADMITS THAT SOME ITEMS OF EXPENSE WERE OMITTED.

Attention has already been called herein to the admissions in Document No. 105 that neither the expenditures on account of station services and terminal facilities (see pages 9-16) nor the cost of personal transportation furnished without special charge therefor to the officers and agents of the postal service (see pages 16-18) were included in its estimates of cost. Attention has also been directed to the specific admission that only two kinds of cost were considered, which admission was made in the following words:

“It is shown that upon this basis of calculation, the information furnished, and the assignment of operating expenses and taxes (the factors of expense considered), the performance of mail service at the present rates is profitable to many companies and unprofitable to others, . . .” Document No. 105, p. 14.

#### B.

#### THE POSTMASTER-GENERAL IGNORES THE FACT AFTER HIS ADMISSION.

Yet after this admission the report, curiously and inconsistently enough, proceeds to assert that the figures show the relation between

actual cost to the railways and their present mail pay. The sentence last above quoted continues, in the very next words, as follows:

“but that the net result shows that the Government is paying more for the service than it costs the railroad companies to perform it; furthermore, that this excess over cost and 6 per cent profit is about \$9,000,000 a year; that in cases where railroad companies are carrying the mails at a profit the per cent of profit over the cost of performing the service varies in almost every instance, ranging from a low to a high rate, and that in cases where railroad companies are carrying the mails at a loss the per cent of loss compared with the cost of performing the service varies in the same manner.” Document No. 105, pp. 14-15.

Referring, over his own signature, to the foregoing, the Postmaster-General says:

“The committee estimates that through a readjustment of railway mail pay on the basis of cost with six per cent profit a saving to the Government could be made of about \$9,000,000.” Document No. 105, p. 3.

And in his annual report to the President, dated December 1, 1911:

“The statistics obtained during the course of the investigation disclosed for the first time the cost of carrying mail in comparison with the revenue derived by the railways from this service. . . . If Congress gives the recommendation of the Department in this regard its favorable consideration and authorizes a readjustment of railway mail pay in the manner suggested, it is believed that the resulting saving to the Government will amount annually to about \$9,000,000.” Annual Report of the Postmaster-General for the fiscal year 1911, pp. 19-20.

The Second Assistant Postmaster-General makes substantially the same statement but in words which point definitely to a source which discloses the incomplete nature of the estimates of alleged cost. He says:

“A computation has been made, based on Table 7, of the amount of revenue the companies or systems reporting would receive if their compensation for mail service were based on the cost of carrying the mails and six per centum of such cost. The result indicates that the companies represented in the computation would receive annually under such method of payment about \$9,000,000 less than at present.” Document No. 105, p. 7.



Turning to Table 7 (Document No. 105, pp. 272-281) there is no difficulty in verifying the facts already stated as to the factors of cost included and as to those ignored. The truth is disclosed by the table headings. Thus, as to the Abbotsford & Northeastern Railroad, the first company shown, the table headings and the entries under them, on page 272, are as follows:

Table heading	Entry
Total operating expenses (passenger and freight).....	\$1,522.10
Taxes .....	90.49
Total operating expenses and taxes.....	1,612.59
Total operating expenses and taxes chargeable to passenger traffic .....	268.19
Passenger traffic operating expenses and taxes chargeable to mail service:	
Directly chargeable .....	nothing
Apportioned .....	5.20
Total .....	5.20

It will, of course, be noted that the items of expenses shown in the foregoing are those of operation and taxation only; all other expenses are absolutely ignored. Yet the next page shows that this obviously incomplete item of \$5.20 was compared with the company's mail pay receipts for the month, \$54.25, and the whole excess, \$49.05, shown as "gain from mail service." **That the company had any other expenses than those enumerated is wholly ignored. And the same is true as to every other company and as to the whole of the Postmaster-General's report.**

### C.

#### THE FACTORS IN COST OF PRODUCTION.

The science of political economy may be almost said to begin with the classification of the factors of production under the three heads of labor, land and capital and the explicit recognition that each of these factors entails a distinct element of cost of production. Thus, labor receives wages, which constitute an element of cost of production; land receives rent, which is another element, and capital receives interest, which is a third element. The term "interest" as thus used is the exact equivalent, in economic nomenclature, of the term "reasonable return on investment," as used in ordinary parlance to denote the cost directly and properly occasioned by the use of capital. Where a government is supported in whole or in part by taxes on production the sums so paid may not improperly be treated as an additional element in cost of production and, under modern conditions, in which the whole process of production is rarely under unified control, the cost of materials is also in the nature of an item of such cost, at least from the

point of view of any separate enterprise or establishment. Every one of these items of cost must be satisfied or there is loss; until they are all fully met there can be no such thing as profit. Railways have capitalized the rents of their rights of way and other land holdings and it is sufficient therefore, to speak of the cost of production of the services they supply as including only the four elements of (a) reasonable return on investment or interest, (b) wages, (c) cost of materials and (d) taxes. Operating expenses include wages and cost of materials (*i. e.*, fuel, rails for replacement, etc., etc.) So the Postmaster-General has actually included three of the four factors and excluded the other, that is to say, he has ignored the recognized right of investors to a fair return upon the fair value of the property necessarily employed to render the services. To speak of "six per cent profit," as the Postmaster-General has (Document No. 105, p. 3) when there has been no allowance for any return to investors, an essential and inevitable part of the cost of production, is a gross and misleading misuse of terms that have definite and established meanings. Railways are much less able to ignore the rights of investors to proper and regular returns than some other undertakings, because, with very few exceptions, their entire property holdings are pledged by mortgages given to secure interest payments. To be unable to pay interest, therefore, spells bankruptcy. From the point of view of the traveling and shipping public a reasonable recognition of the right of the owners of railway property to receive returns upon their investments reasonably proportioned to its fair value is equally important. The rapidly growing industries of the United States continually require the services of more and better railway facilities and their urgent demands can be met only by the annual addition of very large sums to the capital invested in American railways. This needed capital cannot be obtained unless the promise of reasonable returns thereon is supported by evidence that capital already invested, under competent management is able to earn fair returns. If Congress should now adopt the attitude of the Postmaster-General, as developed in Document No. 105, and ignore all capital expenses in fixing rates of payment for the mail facilities and services supplied by the railways, it would be notice to all potential investors in railway property that the policy of the Federal Government had been so formulated as to deny their right to reasonable compensation for the use of their capital.

#### D.

### RAILWAY INVESTORS ARE CONSTITUTIONALLY PROTECTED IN THE RIGHT TO REASONABLE RETURNS.

The Postmaster-General appears to have overlooked the fact that the Constitution of the United States protects the owners of railway

property against *such a Congressional confiscation of the right to use their property as he proposes*. In recommending a plan of payment which excludes any return whatever upon the value of the property used in rendering the services required by the Post Office Department he has proposed a plan that would be absolutely repugnant to the following well-known provisions contained in Article V of the Amendments:

“No person shall . . . be deprived of . . . property, without due process of law; nor shall private property be taken for public use, without just compensation.”

It is not proposed or in any way necessary to enter upon an elaborate constitutional argument for everyone knows that the foregoing and the similar prohibition contained in the Fourteenth Amendment, have repeatedly been applied to prevent action similar in character, *albeit much less drastic*, to that now proposed by the Postmaster-General. One citation, and that from a decision of the Supreme Court of the United States, will suffice:

“The corporation may not be required to use its property for the benefit of the public without receiving just compensation for the services rendered by it. . . .

“We hold, however, that the basis of all calculations as to the reasonableness of rates to be charged by a corporation maintaining a highway under legislative sanction must be the fair value of the property being used by it for the convenience of the public. . . . What the Company is entitled to ask is a fair return upon the value of that which it employs for the public convenience.” *Smyth v. Ames*, 169 U. S. 466, 546-7; 42 L. ed. 819, 849.

In the case from which the foregoing is quoted the Supreme Court affirmed a decision preventing the enforcement of a schedule of maximum rates enacted by the Legislature of Nebraska as to two companies (among others) with regard to which the Court had found that they would have earned, in the years under consideration, more than their operating expenses because, as said in the opinion:

“the receipts or gains, above operating expenses, would have been too small to affect the general conclusion that the act, if enforced, would have deprived each of the railroad companies involved in these suits of the just compensation secured to them by the Constitution” *Smyth v. Ames*, 169 U. S. 466, 547; 42 L. Ed. 819, 849.

Although the Fourteenth Amendment in particular has repeatedly been invoked to prevent the enforcement of rates prescribed under

legislative authority which the courts have held would amount to a confiscation of the use of railway property by depriving its owners of a return on its fair value, that is to say, of interest, no legislature has ever yet acknowledged an intention to fix rates so low as to have that result. **Until the Postmaster-General made the recommendation embodied in Document No. 105 no public officer had ever avowed a purpose to refuse to any railway carrier a fair return on the fair value of any property used to render any service, no legislature had ever enacted a law which it admitted would have that effect, no State or National railroad commission had ever claimed that power exists to ignore the right of property to a reasonable return and, therefore, no court has ever yet been required to pass upon the validity of law-made rates in the light of a frank admission that they would do no more than provide for operating expenses and taxes leaving nothing, or substantially nothing, to the owners of the property.** That such a contention will ever be made in any court is beyond relief.

#### E.

#### AMOUNTS OF EXPENSES IGNORED BY THE POSTMASTER-GENERAL.

The Interstate Commerce Commission has just published the report of its Statistician for the year which ended with June 30, 1910 from which it appears (p. 70) that the gross receipts of the railways, amounting to \$3,005,112,836 (This sum includes operating revenues, \$2,750,667,435; net revenue from outside operations, \$2,225,455 and other income, \$252,219,946, and thus obviously represents duplications in such instances as the payment of rent for leased railway out of operating revenues when all or part of the amount so paid becomes, in turn, "other income," through receipt of interest or dividends on securities of the leased lines held by the lessee. These duplications are unavoidable, however, if, on the expense side, are properly to be set up such inter-corporate payments as those of rentals of leased railways.) during that year, were disposed of as shown by the table on page 41.

Omitting all expenses, included in the foregoing table, that are not absolutely necessary to avoid bankruptcies and the disruption of operating systems, the expenses shown in the table at the top of page 42, in addition to those allowed for by the Postmaster-General, at the very least, must be provided for out of earnings:

Item	Amount	Per cent of total	Per cent of total of operating expenses and taxes
Operating expenses.....	\$1,822,630.433	60.65	94.90
Taxes .....	98,034.593 <sup>1</sup>	3.26	5.10
Deductions from gross corporate receipts:			
Rents for lease of other roads.....	133,881.400	4.45	6.97
Hire of equipment, debit balances.....	27,625.077	.92	1.44
Paid for use of joint facilities.....	28,811.031	.96	1.50
Miscellaneous rents.....	2,333.067	.10	.15
Loss on account of separately operated properties.....	1,463.897	.05	.08
Interest on funded debt.....	349,092.703 <sup>1</sup>	11.62	18.17
Other interest.....	13,207.243	.44	.69
Sinking and redemption funds chargeable to income.....	5,355.416	.18	.28
Other deductions.....	5,480.239	.18	.28
Dividends.....	283,411.828 <sup>1</sup>	9.43	14.76
Appropriations for additions and betterments and for new lines and extensions .....	55,061.675	1.83	2.87
Appropriations for reserves.....	2,640.893	.09	.13
Credit to profit and loss.....	175,480.326	5.84	9.14
Total .....	\$3,005,112.836	100.00	156.46

<sup>1</sup>These items do not include payments made under these heads by leased lines as such; payments are made out of the proceeds of the item entitled "rents for lease of other roads."



Item	Omitted expenses	
	Amount	Per cent of expenses considered by Postmaster-General
Rents for lease of other roads.....	\$133,881,409	6.97
Hire of equipment, debit balance.....	27,625,077	1.44
Payments for joint facilities.....	28,811,031	1.50
Miscellaneous rents .....	2,933,067	.15
Interest on funded debt.....	349,092,709	18.17
Other interest .....	13,207,243	.69
Sinking and redemption funds.....	5,355,416	.28
Total .....	\$560,905,952	29.20

The Postmaster-General's plan, however, if applied to all railway traffic, would allow the railways to receive for the services they render only the amount of their operating expenses and taxes, that is \$1,920,665,026, plus six per cent of that amount which is \$115,239,922. Thus instead of the \$560,905,952 absolutely necessary, as has been seen, to maintain their systems and keep them out of the hands of receivers they would have only \$115,239,922 or 20.55 per cent, about one-fifth, of the necessary amount. Of course every reasonable person realizes also that the item of "dividends," as well as most of the other items in the table next but one above, is a necessary item and must be met if the railways are to be fairly treated, if they are to be protected in their Constitutional right to receive just compensation for their services and if they are to be enabled to render proper and adequate services as common carriers. The fact that the Postmaster-General's plan could not be generally applied without destructive effect should deprive it of any support whatever. **There is nothing in the character of the mail traffic which suggests that it ought to be treated exceptionally or carried for so low a figure as to require rates on other transportation to be kept at a higher level in order to prevent the insolvency of the carriers. Such treatment would make the mail service a tax on every other service rendered by the railways.**

## F.

EVEN ON THE BASIS OF THE UNFAIRLY LOW ESTIMATES  
OF OPERATING COSTS MADE BY THE POSTMASTER-  
GENERAL, ALLOWANCE FOR THE OMITTED EX-  
PENSES WOULD MAKE THE MAIL PAY  
HIGHER THAN IT IS NOW.

The following figures are deduced from those contained in Table 7, Document No. 105, pages 280-281.

Railway mail pay for November, 1909.....	\$3,607,773.13
Operating expenses and taxes, same month.....	2,676,503.75
By reference to page 41 of this statement, it will be seen that the gross receipts of all railways for the year ended June 30, 1910, as reported by the Interstate Commerce Commission were.....	\$3,005,112,836
Deducting therefrom—	
Operating expenses and taxes.....	\$1,920,665,026
Appropriations to Additions and Betterments and for new lines and extensions .....	55,061,675
Credit to profit and loss.....	175,480,326
	\$2,151,207,027
There remains .....	\$853,905,809
	= 44.45%

which must be provided for before a proper return on investment shall have been secured.

If you add to the operating expenses and taxes, as shown by the Postmaster-General, \$2,676,503.75, for November, 1909, 44.45 per cent or \$1,189,705.92 it will give a total of \$3,866,209.67 or \$258,436.54 (equivalent to \$3,101,238.48 per annum) more than Document No. 105 shows was paid for mail service in November, 1909, and consequently, even on the basis of the unfairly low estimates of operating costs made by the Postmaster-General, an allowance for the omitted expenses, which must be met would make the railway mail pay higher than it is at present.

#### FIFTH.

*In confining his investigation to the month of November, the Postmaster-General selected a month that is not a fair average or typical portion of the year but, in connection with the methods he employed, greatly reduced the apparent cost of the passenger train services, resulting from his calculations.*

There can be no contradiction of the assertion that, if in every other respect the basis of railway pay proposed by the Postmaster-General were reasonable and fair, the validity of his calculations would depend upon whether the period selected for his investigation could be considered fairly typical of an entire year. All his computations are based upon data obtained by him which represent only the single month of November in the year 1909. If that month was a reasonably typical month, particularly with respect to passenger train traffic and expenses calculations based upon these data would be entitled to all the weight which the methods of computation employed would warrant. But, however accurate these calculations and methods, the results could rise no higher than their source, and the most perfect system of computation most accurately applied would be wholly vitiated if the basic data cannot be regarded as fairly typical and representative. If the month of November varies from the whole period of the

year from which it was selected, and particularly *if the differences are such as unfairly to diminish the apparent cost of the passenger train services, results based only on data for that month must be inconclusive and worthless. Now this is precisely the case.*

It may fairly be questioned whether the year contains any single month that could be properly denominated an average, typical or representative month but if there is such a month it is **certainly not the month of November.** The Interstate Commerce Commission has published the receipts and expenditures of the railways of the United States for each month of the fiscal year that ended with June 30, 1910 and includes the month of November, 1909, and these data conclusively prove that that month was very far from a representative one and that the seasonal and other variations to which it was subject were such as to render the results of any calculations based upon it exceedingly unfair to the passenger train services.\* The figures in the second and fifth columns of the table on page 45 are from that bulletin, the figures in the other columns have been derived from them.

The most accurate comparisons permitted by the data on page 45 are those between the per diem averages in the third and sixth columns, as such comparisons are not affected by the varying numbers of days in the different months. These comparisons show that the average gross receipts per mile of line from the passenger service during the month of November, 1909, amounted to but 95.17 per cent of the daily average for the year while the average gross receipts from freight service amounted to 113.07 per cent of the daily average for the year. In the whole year there were but four months that showed smaller gross receipts from passengers than the month selected by the Postmaster-General while there was but one month in the entire year which showed as high receipts from freight service. More conclusive still is the fact, shown by the last column in the table, that of all the months in the year the percentage of gross passenger receipts to receipts from both passengers and freight was absolutely the lowest in November. In that month the passenger service earned, in gross, but \$21.54 in each \$100.00 of receipts from both the passenger and freight services while the average for the year was \$24.61 and in one month it was as high as \$29.25. It is perfectly obvious that if any direct charges to the different services are warranted the amounts of the accounts so chargeable must fluctuate, if not in exact proportion to the respective volume of traffic in the passenger and freight services, at least with some rela-

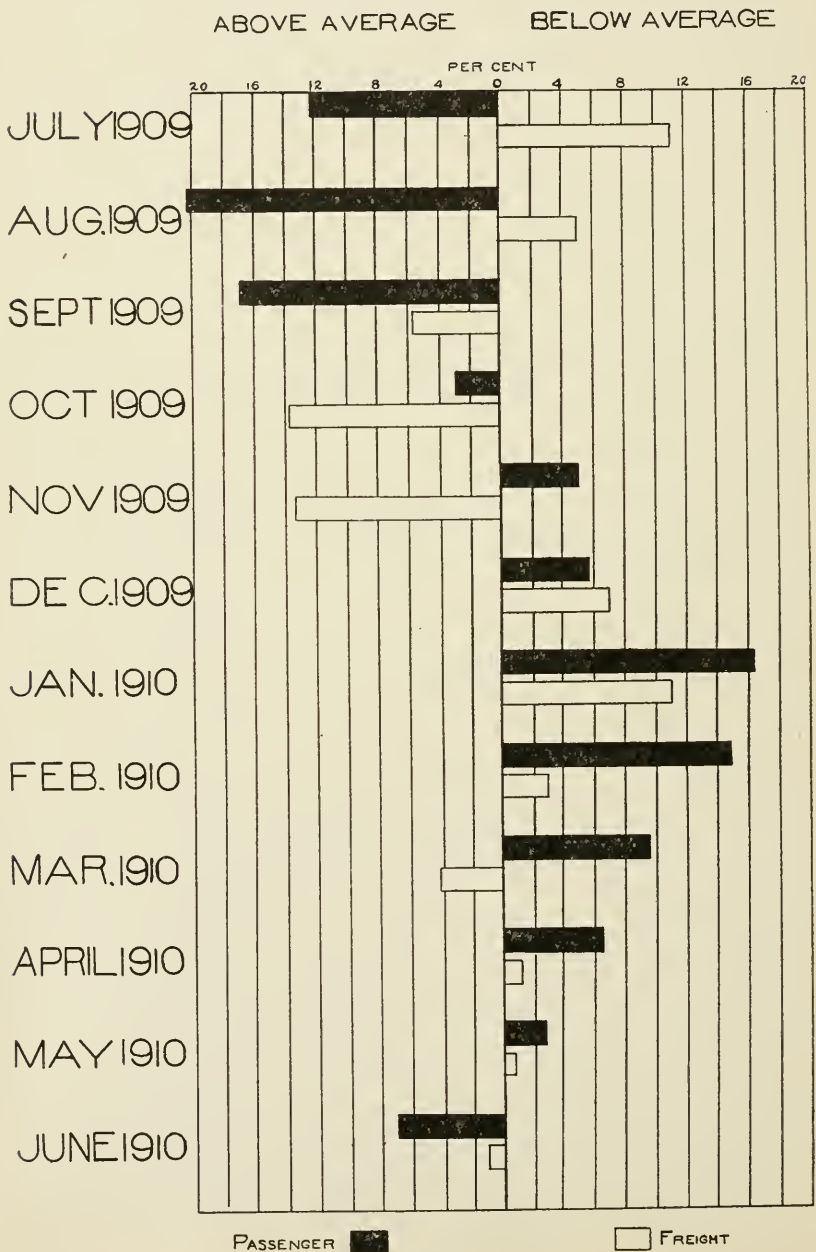
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\* Interstate Commerce Commission, Bureau of Statistics and Accounts, Bulletin of Revenues and Expenses of Steam Roads in the United States compiled from monthly reports covering the years ending June 30, 1910 and 1909.

Month	Gross operating receipts per mile of line						Per cent of passenger receipt to receipts from both passengers and freight
	Passengers			Freight			
	Total	Daily average	Per cent of daily average for year	Total	Daily average	Per cent of daily average for year	
1909, July	\$251.66	\$8.12	112.15	\$108.67	\$19.63	88.46	29.25
1909, August	269.70	8.70	120.17	653.97	21.10	95.00	29.20
1909, September	254.95	8.50	117.40	704.51	23.48	105.81	26.57
1909, October	231.80	7.48	103.31	781.91	25.22	113.65	22.87
1909, November	206.69	6.89	95.17	752.69	25.09	113.07	21.54
1909, December	211.55	6.82	94.20	640.59	20.66	93.11	24.83
1910, January	187.42	6.05	83.56	618.06	19.91	89.86	23.27
1910, February	171.92	6.14	84.81	603.76	21.56	97.16	22.16
1910, March	202.61	6.54	90.33	716.76	23.12	104.19	22.04
1910, April	203.84	6.79	93.78	658.93	21.96	98.26	23.63
1910, May	218.47	7.05	97.38	682.96	22.03	99.28	24.24
1910, June	233.25	7.78	107.46	674.97	22.50	101.40	25.68
Total	\$2,643,86*	\$7.24	100.00	\$8,097.78*	\$22.19	100.00	24.61

\*The totals stated differ very slightly from those stated by the Commission as they are the exact sums of the averages given while the Commission's totals include, also, small unclassified receipts,

# GROSS RECEIPTS PER MILE PER DAY PER CENT DEVIATION FROM AVERAGE





tion to such volume. And it is undeniable that the fluctuations in average gross receipts per mile of line roughly measure fluctuations in volume of traffic. Hence it is plain that in selecting the month of November, and making it the exclusive basis of all his calculations and estimates, the Postmaster-General chose, unwittingly it is believed, the one month in the year that, if the balance of his case were sound, would appear to sustain the largest possible reduction in railway mail pay and that is actually the most unfavorable to the railways. He assigned directly \$34.40 in each \$100.00 of operating expenses and every apportionment so made to the passenger train services was diminished by the selection of a month in which freight movement is much heavier and passenger movement much lower than the average for an entire year, he assigned \$36.00 in each \$100.00 of operating expenses in the proportions of the accounts he had charged directly and thus extended the error to these unlocated or joint expenses, he assigned \$13.60 in each \$100.00 in proportion to locomotive mileage and \$9.80 in each \$100.00 in proportion to revenue train mileage and as these apportionments were made on the basis of a month in which passenger traffic was very light and freight traffic very heavy these apportionments, also, were unduly to the disadvantage of the passenger train services. And these apportionments account for 93.80 per cent or \$93.80 in each \$100.00 of all operating expenses.

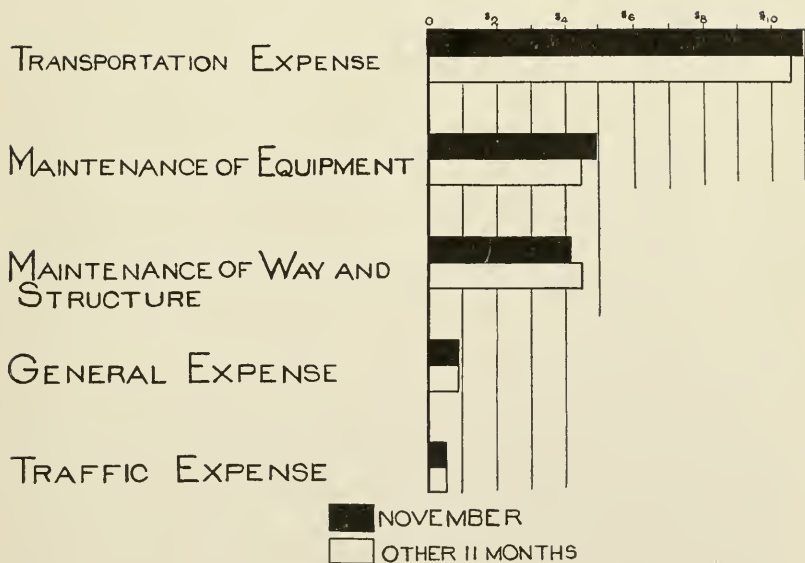
In the wide range of climatic conditions in the United States it happens that the month of November is, throughout a large section and as to many railways, a month in which substantially Winter conditions prevail and characterized by much more than the average difficulty of operation. Under such conditions it becomes necessary to suspend certain repairs, renewals, and replacements, which entail expenditures chargeable to the operating accounts while the cost of moving trains is enhanced. The results of these facts are shown by the table on page 48.

The figures in the table on page 48 fully corroborate the conclusions inevitably to be drawn from the one next preceding. Thus it appears that while the average daily operating expenses of November are, in the aggregate, a little higher than those of the balance of the year their distribution among the various accounts is very different from the average distribution. The maintenance of way and structures expenses which do not fluctuate with traffic fluctuations averaged but \$4.13 per mile of line per day during the period selected by the Postmaster-General while during the balance of the year these expenses averaged \$4.30 per mile per day. But expenses for other purposes averaged \$17.28 per mile per day during the former period and only \$16.80 during the latter. These differences result from the fact that the severe

Fiscal year 1910

Class	Average per mile of line			Average per mile of line per day			Per cent of total		
	November	Other eleven months	Total	November	Other eleven months	Total	November	Other eleven months	Total
Maintenance of way and structures .....	\$124.04	\$1,438.84	\$1,562.88	\$4.13	\$4.30	\$4.28	19.31	20.36	20.27
Maintenance of equipment .....	148.44	1,597.56	1,746.00	4.35	4.77	4.78	23.11	22.60	22.64
Traffic expenses.....	18.85	201.76	220.61	.63	.60	.61	2.94	2.85	2.86
Transportation expenses.....	327.78	3,565.93	3,893.71	10.93	10.61	10.67	51.04	50.45	50.50
General expenses.....	23.10	264.61	287.71	.77	.79	.79	3.60	3.74	3.73
Total .....	\$642.21	\$7,068.70	\$7,710.91	\$21.41	\$21.10	\$21.13	100.00	100.00	100.00

# OPERATING EXPENSES per mile of line per day



weather conditions of November render necessary the suspension of much of the ordinary maintenance work upon road-bed and structures and, at the same time, tend to enhance the operating expenses that do fluctuate with the volume of traffic. Consequently, as all the traffic fluctuations that find expression in November tend to diminish the total expense apportioned, by the Postmaster-General's method, to the passenger train services, the fact that the expenses that do vary with traffic are relatively heavier in the month he selected had a further and strong tendency to reduce the apparent cost of the passenger train services resulting from his computations. It follows, as surely as the night follows the day, that, if every other feature of Document No. 105 were utterly beyond criticism, the fact that it rests wholly upon the single month of November would render its results illusory, misleading, and grossly unjust to the railways.

### III.

#### RECENT REDUCTIONS IN RAILWAY MAIL PAY.

##### A.

#### PRELIMINARY SURVEY AND COMPARISONS.

No consideration of the reduction proposed in Document No. 105 would be adequate which did not make appropriate allowance for the fact that during the period of advancing railway expenses subsequent to June 30, 1907, the mail revenues of the railways have been subjected to repeated and drastic decreases brought about by legislative action and by administrative orders.

The volume of the American mails, the revenue of the American postal service and its demands upon the railways for services and facilities are constantly increasing. The costs of supplying railway transportation are also increasing. Capital costs (interest) have increased through the higher standards of service demanded and the higher value of real estate required for extended and necessary terminal plants, labor costs have grown by means of repeated advances in the rates of wages paid to employees in every grade, other operating expenses have increased as prices of materials and supplies have mounted upward, taxes have increased with the growing exactions of State and local governments which have been rapidly augmenting their expenditures and forcing an increasing share of the total burden upon railway carriers and by the creation of an entirely new Federal corporation tax. But the aggregate railway mail pay has remained substantially stationary for several years and has not at any recent date advanced in proportion to the increased facilities and services required, the increased profit on the use of these facilities and services made by the Post Office Department or the increased expense

to the railways. The pay per unit of service rendered has been greatly reduced. The table on page 52 shows some of these facts.

Reduced to percentages, the figures in the table on page 52 show the following increases for the last ten, five and two years, respectively:

Item	Ten years 1901 to 1911	Five years 1906 to 1911	Two years 1909 to 1911
Postal receipts, per cent increase.....	113.09	41.65	16.86
Postal expenditures:			
All purposes, per cent increase.....	106.40	33.66	7.92
Railway mail pay, per cent increase...	32.56	7.73	1.43
All other expenditures, per cent increase	142.81	42.91	9.81

These percentages disclose what has happened too plainly to admit of much comment. It appears that for either the ten or five-year periods just closed the *postal expenses exclusive of railway mail pay have grown much more rapidly than postal business, as fairly measured by receipts, while railway mail pay increased during the longer period less than one-fourth as fast as other expenses and during the five-year period less than one-fifth as fast.* The two-year period covered by the percentages in the last column covers the administration of the present Postmaster-General and, although during that period the enormous increase in postal business (amounting to \$34,317,440 in revenue or nearly one-third as much as the entire postal receipts of the year 1901) has outstripped the growth of expenditures and the real postal deficit has been greatly reduced, expenses other than for railway facilities have increased 9.81 per cent while railway mail pay has grown but 1.43 per cent, or about one-seventh as rapidly as other expenditures and about one-twelfth as rapidly as postal receipts.\* The

\* It may, of course, be suggested that the fact that nearly the whole recent saving in expense appears to be in railway mail pay is attributable to the increase in the cost of rural free delivery but this explanation would be inaccurate. The cost of rural free delivery reported by the Postmaster-General for the fiscal year 1909 was \$35,586,780; for 1910, \$37,073,733, and for 1911, \$37,145,757. These figures give a percentage increase for the two years of the present administration of 4.38 which is much lower than the percentage increase of all expenses other than railway mail pay. Excluding the reported cost of rural free delivery and the payments for railway facilities the increase in all other postal expenditures was from \$135,547,947 in 1909 to \$150,778,789 in 1911 or 11.24 per cent. Expenditures for rural free delivery are not, however, wholly for an additional service as might superficially be conceived. In part, they represent the substitution of a new method of delivery for delivery through the post offices, which has permitted a decrease in the number of post offices and, therefore, the expenses which would have been necessary to maintain the abandoned offices should be deducted from the apparent cost of rural free delivery before calculating its real cost. At the close of the fiscal year 1901 there were 76,945 post offices in the United States; at the corresponding date in 1906 there were 65,600; in 1909, 60,144 and in 1911, 59,237. The number of fourth-class post offices in 1901 was 72,479; in 1906, 59,690; in 1909, 52,944, and in 1911, 51,260. From 1901 to 1911 the reduction in the number of post offices of all classes amounted to 23.01 per cent and that in fourth-class post offices to 29.28 per cent.



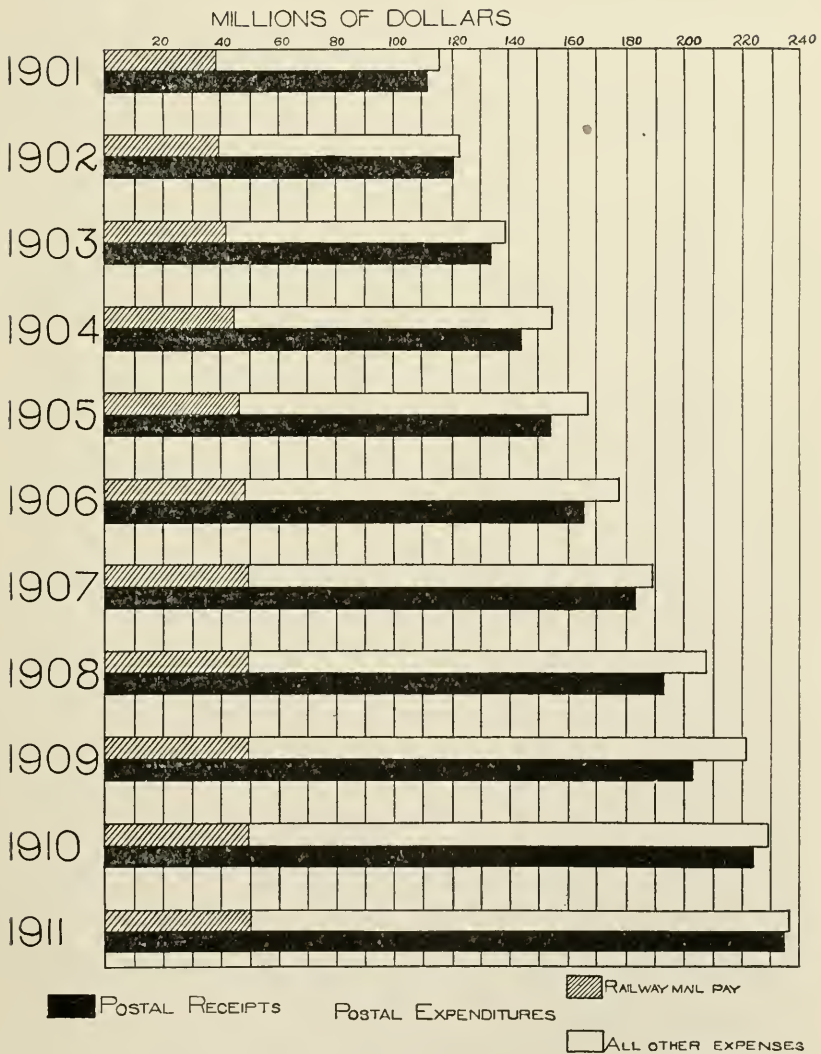
Fiscal year	Postal receipts <sup>1</sup>		All purposes <sup>2</sup>		Postal expenditures		Other expenses <sup>2</sup>	
	Amount		Per \$100.00 of receipts		Railway mail pay <sup>3</sup>			Per \$100.00 of receipts
	Amount	Per \$100.00 of receipts	Amount	Per \$100.00 of receipts	Amount	Per \$100.00 of receipts		
1901.....	\$115,631,193	\$103.51	\$38,158,969	\$34.18	\$77,395,952	\$69.33		
1902.....	124,848,047	102.41	39,518,817	32.43	85,206,880	69.98		
1903.....	134,224,443	103.40	41,377,184	30.83	97,407,303	72.57		
1904.....	143,582,621	106.11	43,971,848	30.62	108,390,268	75.49		
1905.....	152,826,585	109.54	45,040,564	29.47	122,358,605	80.07		
1906.....	167,932,782	106.26	46,953,439	27.96	131,496,339	78.30		
1907.....	183,585,005	103.62	49,758,071	27.10	140,480,217	76.52		
1908.....	191,478,663	108.81	48,458,255	25.31	159,893,631	83.50		
1909.....	203,562,383	108.57	49,869,375	24.50	171,134,727	84.07		
1910.....	224,128,657	102.61	49,405,311	22.04	180,571,913	80.57		
1911.....	237,879,823	100.26	50,583,123	21.26	187,924,546	79.00		

<sup>1</sup> Postmaster-General's Annual Report for 1911, House Document No. 559, Sixty-second Congress, p. 47.

<sup>2</sup> The amounts given are those reported by the Postmaster-General (Annual Report for 1911, House Document 559, Sixty-second Congress, pp. 48-9) except that for the year 1911 the total expenditures are stated as shown by the later and corrected figures reported by the Committee on Post Offices and Post Roads of the House of Representatives (House Report No. 388, Sixty-second Congress, Second Session, p. 2, but they are too low. The report of the Commission on Second Class Mail Matter, consisting of Honorable Charles B. Hughes, Associate Justice of the Supreme Court of the United States; Dr. A. Lawrence Lowell, President of Harvard University, and Mr. Harry A. Wheeler, President of the Association of Commerce of Chicago, (published in the document already cited which also contains the Postmaster-General's Annual Report for 1911) shows that the accounting methods of the Post Office Department are misleading in that they exclude actual expenses of the postal service that are considerable in the aggregate. Figures given in the Commission's report (page 77) show that for the fiscal year 1908 the expenses (given in this table as \$208,351,886) do not include the following: "Amount expended under legislative act for the Post Office Department, \$1,622,564.24; amount appropriated under legislative act for the office of the Auditor of the Post Office Department, \$824,870.00; amount expended under legislative act for the office of the Assistant Attorney-General for the Post Office Department, \$5,000.00; transportation accounts certified to the Secretary of the Treasury for credit of aided Pacific roads not charged to postal revenues \$761,099.69;" total \$3,203,533.93. The item on account of bond-aided roads has ceased to exist (Postmaster-General's Annual Report for 1911, p. 49) but the other omissions still impair the accuracy of the accounts. Assuming that these other items were the same in 1911 as in 1908 it follows that the actual cost of the postal service in the later year was \$240,960,103 instead of \$238,507,669, and that instead of a surplus of \$219,118.12 in postal receipts over expenditures (Annual Report of the Postmaster-General for 1911, p. 15) there was actually a deficit of \$3,080,280. The statements of cost of the postal service supplied by the Postmaster-General are also defective in that they contain no allowance for rental of buildings owned by the Federal Government and occupied by the Department, as post offices or otherwise, or for interest or depreciation on any capital or property owned and utilized in the postal service. See also House Report No. 388, Sixty-second Congress, second session, being a report of the committee on Post Offices and Post Roads of the House of Representatives, which shows that items chargeable to the fiscal year 1911, but audited after its close, more than offset the small surplus claimed by the Postmaster-General and leave an actual deficit of \$627,845.94 for that year—this, exclusive of the omitted items to which attention was directed by the Commission on Second Class Mail Matter.

<sup>3</sup> These figures represent cost of railway transportation but are approximately one per cent too high. They are not changed as the exact data necessary are not available. See foot-note on page 5.

# POSTAL RECEIPTS AND EXPENDITURES



averages in the table under discussion are even more significant than the aggregates. They show that between 1901 and 1911 the cost of the postal service, reported by the Postmaster-General, per \$100.00 of receipts therefrom, declined from \$103.51 to \$100.26 while the cost for railway mail pay declined from \$34.18 to \$21.26 and that for other purposes increased from \$69.33 to \$79.00. That is to say, the net decrease of \$3.25 per \$100.00 of revenue is the difference between a saving in railway mail pay of \$12.92 and an increase in other expenses of \$9.67. In other words, **not only is the whole reduction in postal expenses attributable to the reductions in railway mail pay but an additional reduction in this item has been absorbed by increases in other items.**

Effective illustrations of the relation of railway mail pay to other postal expenses are found in the table on page 55 which shows the annual increment of revenue for each year of the last decade and the cost per \$100.00 at which it has been earned, the cost of railway mail pay and the expenses for other purposes being stated separately.

The table on page 55 shows that while the additional cost of earning the portion of total postal revenue added since 1901 has been, for railway facilities \$9.84 per \$100.00 of receipts the cost for other purposes has been \$87.55 per \$100.00 of added receipts. **Thus the revenue added since 1901, which exceeds the entire revenue for that year, has cost, for railway mail pay, but 28.79 per cent of the average of 1901; it has cost, for other purposes, 126.28 per cent of the average at the beginning of the period.** These figures give additional emphasis to the conclusion that *much more than the entire decrease in postal expenses has been taken from the revenues of the railways which transport the mails.* The fact that the yearly averages show that each yearly increment of postal business has been taken up at a cost, for railway facilities, lower than the average cost therefor in 1901 while in six of the ten years the cost for other purposes has exceeded the average of 1901, in one year being more than three and one-half times that average, is most significant. **These data again demonstrate the truth of the assertion that for a decade at least reductions in railway mail pay have constituted the solitary source of savings in postal expenditures.**

Looking at the problem from the point of view of railway revenues it is not surprising, in view of the foregoing, to find that the transportation of the mails constitutes the single exception to the rule that their gross receipts from different elements of traffic have increased, albeit not in full proportion to the augmented volume of work they have done, at least with some rapidity. Comparing the years 1909 and 1911, and

Period	Postal expenditures <sup>1</sup>									
	Postal receipts <sup>1</sup>		All purposes			Railway mail pay <sup>6</sup>			Other expenses	
	Amount	Per \$100.00 of receipts	Amount	Per \$100.00 of receipts	Amount	Per \$100.00 of receipts	Amount	Per \$100.00 of receipts	Amount	Per \$100.00 of receipts
During year ended June 30, 1901, .....	\$111,631,193	\$103.51	\$115,554,921	\$103.51	\$38,158,969	\$4.18	\$77,395,952	\$69.33		
Increase, July 1, 1901, to June 30, 1902, .....	\$10,216,854	\$90.35	\$9,230,776	\$90.35	\$1,359,848	\$13.31	\$7,870,928	\$77.04		
Increase, July 1, 1902, to June 30, 1903, .....	12,376,396	113.11	13,998,790	113.11	1,858,367	15.02	12,140,423	98.09		
Increase, July 1, 1903, to June 30, 1904, .....	9,338,181	145.09	13,577,629	145.09	2,594,664	27.73	10,982,965	117.36		
Increase, July 1, 1904, to June 30, 1905, .....	9,243,961	162.67	15,037,053	162.67	1,068,716	11.56	13,968,337	151.11		
Increase, July 1, 1905, to June 30, 1906, .....	15,106,197	73.15	11,050,609	73.15	1,912,875	12.66	9,137,734	60.49		
Increase, July 1, 1906, to June 30, 1907, .....	15,652,223	75.32	11,788,510	75.32	2,804,632	17.92	8,983,878	57.40		
Increase, July 1, 1907, to June 30, 1908, .....	7,893,658	229.47	18,113,598	229.47	..... <sup>2</sup>	..... <sup>4</sup>	19,413,414	245.94		
Increase, July 1, 1908, to June 30, 1909, .....	12,083,720	104.70	12,652,216	104.70	1,411,120	11.68	11,241,096	93.02		
Increase, July 1, 1909, to June 30, 1910, .....	20,506,274	43.63	8,973,122	43.63	..... <sup>3</sup>	..... <sup>5</sup>	9,437,186	45.89		
Increase, July 1, 1910, to June 30, 1911, .....	13,751,166	62.03	8,530,445	62.03	1,177,812	8.56	7,352,633	53.47		
Total increase, July 1, 1901, to June 30, 1911, ..	\$126,248,630	\$97.39	\$122,952,748	\$97.39	\$12,424,154	\$9.84	\$110,528,594	\$87.55		
During year ended June 30, 1911, .....	\$237,879,823	\$100.26	\$238,507,669	\$100.26	\$50,583,123	\$21.26	\$187,924,546	\$79.00		

<sup>1</sup> As reported by the Postmaster-General and the Committee on Post Offices and Post Roads of the House of Representatives and therefore, omitting those expenses referred to in the second foot-note on page 52.

<sup>2</sup> Decrease of \$1,299,816.

<sup>3</sup> Decrease of \$464,064.

<sup>4</sup> Less than nothing; the decrease amounted to \$16.47 per \$100.00 of increased revenue.

<sup>5</sup> Less than nothing; the decrease amounted to \$2.26 per \$100.00 of increased revenue.

<sup>6</sup> Subject to the corrections stated in foot-notes on page 5 and page 52.



omitting express receipts for which official figures are not yet available, the figures are as follows:

Railway receipts from :	1900	1911	Increase, per cent
Freight <sup>1</sup> .....	\$1,677,614,678	\$1,929,335,457	15.00
Passenger <sup>1</sup> .....	563,609,342	658,772,786	16.88
Mail <sup>2</sup> .....	49,869,375	50,583,123	1.43

<sup>1</sup>Data compiled by Interstate Commerce Commission.

<sup>2</sup>As reported by the Postmaster-General.

During the two years covered by the foregoing the receipts of the Post Office Department increased, as already shown, 16.86 per cent and the operating expenses of the railways of the United States increased from \$1,599,443,410 to \$1,935,511,581 or 21.01 per cent.

The successive reports of the Statistician to the Interstate Commerce Commission show that the receipts of Interstate railways from freight, passengers, express and mail, respectively, have been, during each year from 1901 to 1911, inclusive, as shown on page 57.

That the relatively slow expansion of mail receipts shown by these tables is the result of reductions in the rates of pay and not of a slower rate of growth of mail business is apparent from the following:

	1901	1911	Increase, per cent
Freight, tons carried one mile;			
Number <sup>1</sup> .....	147,077,136,040	255,016,910,451	73.39
Per capita of population.	1,895	2,767	46.02
Passengers carried one mile:			
Number <sup>1</sup> .....	17,353,588,444	32,338,496,329	86.35
Per capita of population	224	351	56.70
Mail, pieces handled;	7,424,390,329 <sup>2</sup>	16,900,552,138 <sup>3</sup>	127.64
Per capita of population.	96	161	67.71

<sup>1</sup>Interstate Commerce Commission, Twenty-third Annual (1910) Report on the Statistics of Railways, p. 58.

<sup>2</sup>Annual Report of the Postmaster-General for the fiscal year 1910, p. 47.

<sup>3</sup>Statistics published by the Third Assistant Postmaster-General.

Figures showing the volume of express business in 1901 and 1911 are not available but as the amounts paid to the railways for the facilities with which they furnish the express companies are proportioned to the receipts of the latter it may be concluded that the growth in the railways' revenues from express at least roughly measures the growth of this traffic. The last foregoing table shows that of the three services included, the business of the mails has grown with far the greatest rapidity, yet by the other tables it has been shown that the railways' revenues from mail have increased most slowly.



Year	Population <sup>1</sup>	Freight		Passengers		Express		Mail	
		Amount	Per capita	Amount	Per capita	Amount	Per capita	Amount <sup>2</sup>	Per capita
1901	77,612,569	\$1,118,543,014	\$14.41	\$351,356,265	\$4.53	\$31,121,613	\$0.40	\$38,453,602	\$0.50
1902	79,230,563	1,207,228,845	15.24	392,963,248	4.96	34,253,459	.43	39,835,844	.50
1903	80,848,597	1,338,020,026	16.55	421,704,592	5.22	38,331,904	.47	41,709,396	.52
1904	82,466,551	1,379,002,693	16.72	444,326,991	5.39	41,875,636	.51	44,499,732	.54
1905	84,084,545	1,450,772,838	17.25	472,694,732	5.62	45,149,155	.54	45,426,125	.54
1906	85,702,539	1,640,386,655	19.14	510,032,583	5.95	51,010,930	.60	47,371,453	.55
1907	87,320,533	1,823,651,998	20.88	564,606,343	6.47	57,332,931	.66	50,378,964	.58
1908 <sup>3</sup>	88,938,527	1,655,419,108	18.61	566,832,746	6.37	58,692,091	.66	48,517,563	.55
1909 <sup>3</sup>	90,556,521	1,677,614,678	18.53	563,609,342	6.22	59,047,022	.66	49,380,783	.55
1910 <sup>3</sup>	92,174,515	1,925,553,036	20.80	628,992,473	6.82	67,190,922	.73	48,913,888	.53
1911 <sup>2</sup>	93,792,509	1,929,335,457	20.57	658,772,786	7.02	.....	..	.....	..

<sup>1</sup> Interdecennial years estimated by the Census Office.

<sup>2</sup> The differences between these figures and those reported by the Postmaster-General are due to the fact that the Commission's reports include interstate railways, only.

<sup>3</sup> Switching and terminal companies not included.

Various elements have combined to produce this decline in the mail pay of the railways, but in this statement reference will be made only to the more important reductions that have taken place within the past five years. These are:

First. The natural operation of the law of 1873 by which the basis of mail pay is fixed,

Second. The action of the Post Office Department in stimulating competition for mail where its power to divert part of the movement from any route or routes could be exercised for that purpose,

Third. The statutory reductions provided for in the Appropriation Act of March 2, 1907,

Fourth. The reduction accomplished by including Sundays in the divisor used to establish the average daily weight of the mails, in accordance with the executive order known as Postmaster-General's Order No. 412 of June 7, 1907,

Fifth. The withdrawal of all payments for special facilities, and,

Sixth. The withdrawal from the mails of stamped envelopes, postal cards, mail bags and postal equipment.

## B.

### REDUCTIONS DUE TO NATURAL OPERATION OF THE LAW OF 1873.

Pay for the services and facilities supplied by railways is now fixed by the law of March 3, 1873 (17 Stat. 558) subject to the deductions provided for by the Acts of July 12, 1876 (19 Stat. 78) June 17, 1878 (20 Stat. 140) March 2, 1907 (34 Stat. 1212) and May 12, 1910 (36 Stat. 362). The Act of 1876 effected a reduction to ninety per cent of the sums that would have been paid under the unmodified statute of 1873 and the Act of 1878 made a further reduction of five per cent. The reduction effected by the Act of 1907, as modified by that of 1910, will be discussed in a subsequent paragraph. The constant reduction due to the normal operation of the law from 1873 to 1898 was shown as one of the results of the investigations undertaken for the Joint Postal Commission by Professor Henry C. Adams. The figures showing ton-mile rates in the following table are from his report.\*

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\* Fifty-sixth Congress, Senate Document No. 89, Part 2, p. 253.

Year	Railway Mail Pay per ton per mile		Year	Railway Mail Pay per ton per mile		Year	Railway Mail Pay per ton per mile	
	In cents	Per cent of rate in 1873		In cents	Per cent of rate in 1873		In cents	Per cent of rate in 1873
1873....	26.420	100	1882	17.866	68	1891	14.787	56
1874....	23.732	90	1883	17.828	67	1892	14.453	55
1875....	23.866	90	1884	17.670	67	1893	13.973	53
1876....	23.979	91	1885	17.182	65	1894	13.323	50
1877....	23.960	91	1886	16.487	62	1895	13.109	50
1878....	23.167	88	1887	16.567	63	1896	12.964	49
1879....	21.522	81	1888	16.268	62	1897	12.665	48
1880....	20.596	78	1889	15.656	59	1898	12.567	48
1881....	18.969	72	1890	14.968	57	....	.....	..

Considerably less than one-third of the reduction of fifty-two per cent shown in the foregoing table is to be attributed to the statutory changes of 1876 and 1878, the entire balance is attributable to the natural operation of the law. **From 1879 to 1898, nineteen years, during which there were no changes in the law, the average rate per ton per mile declined from 21.522 cents to 12.567 cents or 41.61 per cent.** This diminishing effect of the law of 1873 upon the rates of railway mail pay is due to the fact that it fixes the rates on a sliding scale by which they automatically decrease as the volume of the mail increases and so, on every route, constantly approach toward the statutory minimum. The Post Office Department has unfortunately failed to continue the tabulations showing the rates paid per ton per mile for railway mail facilities, begun by the Joint Postal Commission, and it may still be said, as was said by Professor Adams in 1900:

“The Post Office Department has been at considerable expense and trouble to determine the aggregate tonnage of mail matter, but has never thought it of advantage to compute the ton mileage of mail carried. This is a little strange, because not only is ton mileage the only true measure of traffic, but it is the unit of traffic made the basis of compensation under the law of 1873.” Professor Henry C. Adams, Report to the Joint Postal Commission, Fifty-sixth Congress, Senate Document No. 89, Part 2, p. 208.

Although statistics measuring the reduction since 1898, due to this automatic action of the law fixing railway mail pay, do not exist, there can be no intelligent denial of the fact that the law still operates and will continue, as long as it stands unrepealed, to operate in this way. Had there been no other changes its operation would undoubtedly have produced a material reduction in the average rate of payment per ton per mile from 1898 to the present time and *such a reduction has actually taken place and is a part of the notable decline already evidenced herein.*

## C.

### EFFECT OF COMPETITION STIMULATED BY POST OFFICE DEPARTMENT.

Although the rates of pay fixed by the present law are in many instances far below the level of just compensation and there are few, if any, separate routes on which they are fully remunerative the method of calculation provided in the statute so operates that wherever a railway mail route exists and carries any mail it becomes desirable for the railway operating it, from the point of view of its mail revenue, to secure for that route the greatest possible volume of mail. During recent years the Post Office Department has seized upon the potential advantage springing from this condition and has pressed it vigorously and effectively in its negotiations with the railways. The existence and nature of this advantage were concisely stated by Postmaster-General von Meyer in his annual report for the year 1907, as follows:

“Where through mails are concerned, the Department often has the choice of competing routes. A competing route may be shorter than another, it may be more economical by reason of being a land-grant route, or it may perform important terminal or transfer functions which must otherwise be provided for by the Department. . . . Where the Department has the opportunity of dispatching mails by competing routes, one of which is shorter or otherwise less expensive than the other, it appears to be but just to the Government, when such mails are allowed to remain with the longer or more expensive route, to reduce the compensation paid therefor by the amount which the Government would save if the mails in question were dispatched by the shorter or less expensive route.

“Accordingly the policy has been inaugurated of effecting such a saving in cases of this character arising at the beginning of a contract term, and has been applied in some prominent instances in the readjustments in the third contract section.”  
Postmaster-General’s Annual Report for 1907, p. 24.

This policy, to which no exception is here taken, has been continued and the extent in which it has been effective, up to the present time, in reducing railway mail pay may be traced, at least in part, in the successive annual reports of the Department. The annual reports of the Second Assistant Postmaster-General for 1908, 1909, 1910 and 1911 contain figures which show that the reduction in annual railway mail pay accomplished by this means amounts, at present, to not less than

\$174,544.51.\* It is not probable that this policy of the Department will be abandoned or that its possibilities have been wholly exhausted.

D.

REDUCTIONS MADE BY THE ACT OF MARCH 2, 1907.

The postal appropriation act of March 2, 1907 provided for a reduction, beginning with July 1, 1907, of five per cent in the pay for all railway routes on which the average daily weight ascertained at the weighing period was over five thousand and not to exceed forty-eight thousand pounds and on the excess over five thousand pounds up to forty-eight thousand pounds on routes having more than forty-eight thousand pounds average daily weight. For the excess over forty-eight thousand pounds the Act provided that land grant roads should be paid at the rate of \$17.10 per mile for each two thousand pounds of such excess and other roads at the rate of \$19.24 per mile. By a subsequent act (approved May 12, 1910, 36 Stat. 362) the rate of \$17.10 for land grant roads, was further reduced, the reduction to take effect on July 1, 1910, to \$15.39 for each two thousand pounds in excess of forty-eight thousand pounds. The rates thus specified are ninety per cent of those previously in force and hence the reduction on this portion of the weight carried on the heavy routes was at the rate of ten per cent. The Act of March 2, 1907 also reduced the rates of payment per mile per annum for postal cars forty-five feet long or longer (cars or compartments less than forty feet long are not paid for) as follows:

Length of car	Former rate	Reduced rate	Reduction, per cent
Forty-five feet .....	\$30.00	\$27.50	8.33
Fifty feet .....	40.00	32.50	18.75
Fifty-five feet or longer.....	50.00	40.00	20.00

The Post Office Department has stated the annual amount of these reductions, not including the change made by the amendment of May 12, 1910 affecting the land-grant routes, and on the basis of the weighings of the years 1904-1907, inclusive, as follows:

Weighing section	Reduction in pay computed on weight of mails.	Reduction in pay for postal cars.	Total reduction
First .....	\$547,909.01	\$239,670.49	\$787,579.50
Second .....	70,192.45	85,196.86	155,389.31
Third .....	759,145.88	442,755.76	1,201,901.64
Fourth .....	363,247.29	168,350.98	531,598.27
Total .....	\$1,740,494.63	\$935,974.09	\$2,676,468.72

\* For all the information on this subject that has been made public see the Annual Reports of the Second Assistant Postmaster-General as follows: 1907, p. 143; 1908, p. 156; 1909, p. 141; 1910, p. 131; 1911 (pamphlet print), pp. 9-11.

† Annual Report of the Second Assistant Postmaster-General for 1907, p. 140; same for 1908, p. 154.



Doubtless the foregoing figures are smaller, as to each section and as to the aggregate, than those which would represent the effect of the same law calculated upon the weighings of the years 1908-1911 and representing the rates of payment now in force, but the Post Office Department has either failed to make these calculations or has seen fit not to make their results public. It has stated, however, that the amendment of May 12, 1910 to the Act of March 2, 1907, when applied to the weighings in force on July 1, 1910, when it became effective, resulted in a further reduction of \$47,190.18.† Adding the last named sum to the total of \$1,740,494.63 representing the reduction in transportation pay, as distinguished from pay for railway post office cars, shown in the table gives \$1,787,684.81 which, in the absence of later and more complete information, and with the observation that it is unquestionably too low, must be accepted as the nearest approximation of the actual reduction in transportation pay, alone, effected by the Act of March 2, 1907 as amended on May 12, 1910, which has the sanction of officially published figures. Railway mail pay for transportation, in 1911, was fixed, subject to certain deductions, at the annual rate of \$46,172,472.93. The reduction of \$1,787,684.81, now under consideration, amounted therefore to 3.87 per cent of the annual rate of pay computed on average daily weight of the mails. The annual rate of pay for postal cars, at the close of the fiscal year 1911, was \$4,737,788.75 and on this basis the Department's statement of the reduction in postal car pay, \$935,974.09, amounts to 19.76 per cent.

## E.

### REDUCTION BY ADMINISTRATIVE ORDER.

It is well known that the reduction imposed by the Act of March 2, 1907 was adopted as a substitute for the reduction which would have resulted had Congress, by its statutory enactment, required the whole number of days of the weighing period (including Sundays), instead of the number of week-days or "working days" in that period, to be used as the divisor in determining the average daily weight fixing the basis of payment for each railway route. Both proposals were submitted to Congress, both were fully considered and throughout this consideration they were regarded as alternatives, it was never by any one contemplated or suggested that more than one of them should be adopted. After full consideration Congress adopted the former alternative and rejected the latter. Notwithstanding this decision of Congress, the Postmaster-General then in office, on the very day that the alternative reduction received the signature of the President, that is to say on March 2, 1907, *but not*

† Annual Report of the Second Assistant Postmaster-General for 1910. p. 131.

until the legislative act had passed beyond the control of Congress, entered an order, known as "Order No. 165," which read as follows:

"That when the weight of mail is taken on railroad routes, the whole number of days the mails are weighed shall be used as a divisor for obtaining the average weight per day."

Three months later, another Postmaster-General having come into office, the foregoing was rescinded and the following substituted:

"That when the weight of mail is taken on railroad routes the whole number of days included in the weighing period shall be used as a divisor for obtaining the average weight per day."

Explaining his action in substituting Order No. 412 for Order No. 165, Postmaster-General Meyer said of the earlier order:

"Its enforcement according to its terms would have worked an injustice to those mail routes which afford the most efficient service; that is to say, those lines which carry the mails seven days in every week would receive less compensation for transporting the same amount of mail than would those which give a service of only six days in each week. In order to correct this defect, I issued Order No. 412, dated June 7, 1907, . . . ." Postmaster-General's Annual Report for 1907, p. 28.

The difference between Order No. 165 and Order No. 412 is that the former would have reduced the mail pay of those routes only which had seven-day service while the latter reduces the pay of all routes whether they have service seven days per week, or six days, or a still smaller number of days each week. It is a little difficult to comprehend how an injustice to some routes arising from a reduction in their pay could be remedied by reducing the pay on some other routes and the difficulty is enhanced when it is realized that in many cases both seven-day and six-day (or less) routes are operated by the same railways and the pay for facilities on those of both classes goes, in effect, into the same pocket.

This is not the place in which to discuss the propriety, the legality or the wisdom of the change effected in 1907 by executive order but attention may properly be directed at this time to the indisputable fact that, had Congress been advised of the purpose of the Postmaster-General to issue an order increasing the number of days taken as the divisor, the statutory reductions of March 2, 1907 would not have been adopted.

But, reversing the declared purpose of Congress, the administrative order changing the divisor was issued and has been enforced and this

report is concerned with it no further, at present, than to ascertain, as nearly as may be, how much it has reduced the mail revenues of the railways. The following official estimates are from the Annual Report of the Second Assistant Postmaster-General for the year 1910:

Weighing section	Date Order No. 412 became effective	Reduction in annual rate of pay
First .....	1909, July 1	\$1,100,951.44
Second .....	1908, July 1	434,730.82
Third .....	1907, July 1	1,787,378.10
Fourth .....	1910, July 1	1,618,879.98
Total .....	....	\$4,941,940.34

*There has been a later weighing than that represented above in one section, the third, and it is probable that, as the normal increase in weights from weighing to weighing tends to increase the amount representing any such change, the figures as to that section are, at present, somewhat too low, but data for their correction are not available.*

Thus both, instead of one, of these heavy reductions were made, and instead of the Congressional determination to reduce the railway pay only \$2,723,658.90, as compared with \$4,941,940.34, had the effect of combining both and reducing the pay \$7,665,599.24 or nearly three times the amount which Congress determined was an adequate reduction, or based upon the total of transportation and railway post office car pay for 1911, \$50,099,537.02, 15.30 per cent.

## F.

### WITHDRAWAL OF PAYMENTS FOR SPECIAL FACILITIES.

From a date soon after the ten per cent statutory reduction in the rates of mail pay effected by the Act of July 12, 1876 (19 Stat. 78), the Post Office Department, under authority obtained from Congress, instituted a system of special additional payments for extra or expedited train service upon railway routes on which the statutory payments would have been insufficient to secure the quality of service regarded as desirable by the Postmaster-General. By the year 1901 the number of routes to which extra payments of this character were accorded, as well as the annual sum so expended, had been considerably reduced and on July 1, 1907, the last of these allowances was discontinued. The additional facilities and expedited services obtained in consideration of these payments have not, however, been withdrawn or diminished. The annual rates of payment of this character for the fiscal years 1901 to 1907, inclusive, were as follows:

Fiscal year	Annual rate of pay for special railway facilities
1901.....	\$195,682.50
1902.....	195,636.25
1903.....	167,175.00
1904.....	167,175.00
1905.....	167,175.00
1906.....	167,005.00
1907.....	167,005.00

The rate for 1907 will be accepted, for the purposes of this report, as measuring the present reduction due to the cessation of these payments.

### G.

## WITHDRAWAL OF ENVELOPES, POSTAL CARDS AND MAIL EQUIPMENT FROM MAILES.

Congress has, by legislation on successive appropriation acts, provided the Postmaster-General with funds for the payment of freight or express charges on postal cards, stamped envelopes, newspaper wrappers, empty mail bags, furniture, equipment and other mail supplies for the postal service, except postage stamps, and has directed the withdrawal of such articles from the mails, wherever practicable, during and after the weighing period. This withdrawal has, of course, decreased the weight at the successive weighing periods and therefore, diminished the pay for mail transportation. It was completed for the whole country with the weighing in 1910 in the fourth weighing section.\* Unlike all the other reductions herein referred to this one does involve a reduction in service as well as in payments. The Second Assistant Postmaster-General has stated that it is impossible accurately to estimate the reduction in railway mail pay due to these withdrawals† and for the purposes of this brief there will be substituted for such an estimate the sum which the Department has asked to have appropriated to pay, during the fiscal year 1913, freight and expressage on the articles so withdrawn. This sum is \$525,000.00‡ and to use it is to place the reduction at the lowest conceivable minimum.

### H.

## FORWARDING PERIODICALS BY FREIGHT.

Incidentally, mention may be made of the recent action of the Postmaster-General in withdrawing certain periodicals from the mails and

\* Annual Report of the Second Assistant Postmaster-General for 1910, p. 145.

† Annual Report for 1910, p. 130.

‡ Annual Report of the Second Assistant Postmaster-General for 1911, p. 6.

substituting freight service for that formerly given on passenger trains.\* This action has resulted in a large reduction in gross revenue to the railways with little or no opportunity for reduction in the cost of their operations.

## I.

### SUMMARY OF RECENT REDUCTIONS.

This report has now reached the point at which a summary of the recent reductions should be presented. No attempt has been made or will be made to estimate in dollars and cents the effect of the natural decrease of the rate per ton per mile for the services rendered which, as has been shown, must result from the normal operation of the system of payment inaugurated by the law of 1873. Approximations of the effect of the other changes, all of them doubtless too low, have been given and are repeated, as follows:

Cause of reduction	Amount of reduction
Natural operation of Law of 1873.....	No estimate.
Competition stimulated by Post Office Department.....	\$174,544.51
Act of March 2, 1907, and amendment of May 12, 1910....	2,723,658.90
Postmaster-General's Divisor Order.....	4,941,940.34
Withdrawal of pay for special facilities.....	167,005.00
Withdrawal of mail supplies from mails.....	525,000.00
Total (with no allowance for the first item above)...	\$8,532,148.75

Therefore, with no allowance for the natural downward tendency, due to the sliding scale of payment so wisely provided for in 1873, the mail pay of the railways in 1911 was at least \$8,532,148.75 less than it would have been under the laws and practices in vogue prior to 1907. Compared with transportation pay of \$46,172,472.93 this reduction amounts to 18.48 per cent and on the basis of \$50,099,537.02, the sum which includes both the transportation pay and railway post office car pay of 1911, it amounts to 17.03 per cent.

A method of estimating the contribution of the railways to the reduction of the postal deficit, which is at once more simple and more comprehensive and more adequate is by ascertaining what the railway mail pay of 1911 would have been had it continued to absorb, as it did in 1901, that is but ten years earlier, \$34.18 per \$100.00 of postal receipts (see table on page 52). Postal receipts in 1901 aggregated \$237,879,823 and, as already shown, even with the enormous increase in business of the decade 1901-1911, expenses for other

\* This change is described by the Postmaster-General in his Report for 1911 (House Document No. 559, Sixty-second Congress, p. 19) and, more fully by the Second Assistant Postmaster-General on pages 21 to 23 of his Annual Report for the same year.



purposes than railway mail pay increased proportionately faster than receipts, so that in 1911 these expenses consumed \$79.00 for each \$100.00 of receipts as against but \$69.33 in 1901. Fortunately, for the Post Office Department railway mail pay moved in the opposite direction. Had it merely remained stationary, in its relation to receipts, the mail pay of 1911 would have been \$81,307,323 or \$30,724,200 more than it actually was. The postal deficit never amounted to more than twenty-one or twenty-two millions and the Post Office Department never admitted as much as eighteen millions.

The table next to follow merits more than ordinary attention. It serves, at once, to illustrate with marked clearness (first) the reductions in railway mail pay, exclusive of payments on account of postal cars, due to (a) the change in the divisor and (b) the statutory reductions of March 2, 1907, and May 12, 1910, and (second) the reductions which, without any changes in the law or in the method of its application, result from the progressively decreasing sliding scale of payment. This natural downward movement is illustrated both with reference to the old divisor and rates and with regard to the rates and the divisor now in force. In considering the table it is necessary to remember that the principle of adjustment crystallized in the law of 1873 has never been modified although the rates have been several times reduced, the application of the sliding scale of payment has been extended and the method of applying the law has been changed so as to produce a further reduction. This principle of progressive reduction with augmented volume of service was applied at the outset, and is still applied, by means of naming a series of specific rates for a series of specific services, each successive rate showing a lower average per unit of service than the rate named for the next lower volume of service that is specified. After the maximum service so specified is attained the law further specifies a still lower rate to be applied to each additional two thousand pounds in the average weight carried daily over the entire route. It is obvious that under this plan increasing service produces a progressive lowering of the average rate and that the limit of this downward movement is fixed by the rate applied to the final increment. Originally this final rate was applied to each two thousand pounds in excess of five thousand pounds of average daily weight but since July 1, 1907, under the law of March 2, of that year, a further reduction has been applied to the excess over forty-eight thousand pounds of daily weight. Beginning in 1876 (Act of July 12, 1876), routes or parts of routes, the construction of which was aided by Congressional grants of land, have received but eighty per cent of the amounts paid for the same services when rendered by other routes. Prior to July 1, 1907, the

rate for each two thousand pounds in excess of five thousand pounds was \$21.37 per mile per annum, or 6.827 cents per ton per mile for other than land-grant routes and \$17.10 per mile per annum or 5.463 cents per ton per mile for land-grant routes. The present rates on the excess over five thousand pounds, up to a total of forty-eight thousand pounds, are five per cent lower, that is to say, \$20.30 per mile per annum or 5.562 cents per ton per mile for other than land-grant routes or \$16.24 per mile per annum or 4.451 per ton per mile for land-grant routes. Beyond forty-eight thousand pounds the Act of March 2, 1907, now in force, provides rates of \$19.24 per mile per annum or 5.271 cents per ton per mile for each increment of two thousand pounds for other than land-grant routes and, as modified by the amendment of May 12, 1910, \$15.39 per mile per annum or 4.216 cents per ton per mile for land-grant routes. In calculating the averages per ton per mile stated in this paragraph proper allowance has been made for the fact that under the Postmaster-General's Order No. 412, the divisor order, a route has annually to carry an average of 365 tons per mile of its length to obtain an average daily weight of two thousand pounds while prior to 1907 the same average daily weight represented an average annual service of 313 tons per mile of route. The reduction thus applied to the excess over forty-eight thousand pounds average daily weight, as indicated by these average rates per ton per mile, amounts to 22.79 per cent for other than land-grant routes and to 22.83 per cent for land-grant routes.

An important consequence of this scheme of payment is that, of itself, it should enable the Post Office Department to show a decreasing ratio of expenses to receipts resulting from the progressive expansion in the volume of the mails. **Postage rates have not been diminished as postal business has increased and hence the average receipts of the postal service, per unit of business, have remained constant while the plan of payment for railway transportation, as has been seen, provides a steadily decreasing expense per unit for the element of cost represented by railway facilities and services.**

An understanding of the manner in which the rates are applied is also necessary to a complete comprehension of the table. Thus the minimum rates nominally applicable to an average daily weight of two hundred pounds, are, in practice applied whenever the average is 211 pounds or less because no account is taken of an increment of weight that would not have been sufficient, before the reductions of 1876 and 1878, to warrant an additional payment of one dollar. At present this minimum rate (for other than land-grant routes) is \$42.75 and the additional sum of 85.5 cents is paid for each twelve pounds above two hundred pounds of average daily weight, up to five hundred pounds





when another rate is applied, but nothing is paid for any fraction of twelve pounds. Under this system the rate for 211 pounds average daily weight is \$42.75 while for 212 pounds it is \$43.60. In the same manner the five hundred pounds rate is extended to apply to 519 pounds, the 1,000 pounds rate to 1019 pounds, the 1500 pounds rate to 1519 pounds, the 2000 pounds rate to 2059 pounds, the 3500 pounds rate to 3559 pounds, the 5000 pounds rate to 5079 pounds, the 48000 pounds rate to 48103.95 pounds. It is this plan of applying the rates which produces the notable fluctuations in the percentages of reductions as disclosed in the upper half of the last column. The table will be found on the insert, paged as 69A.

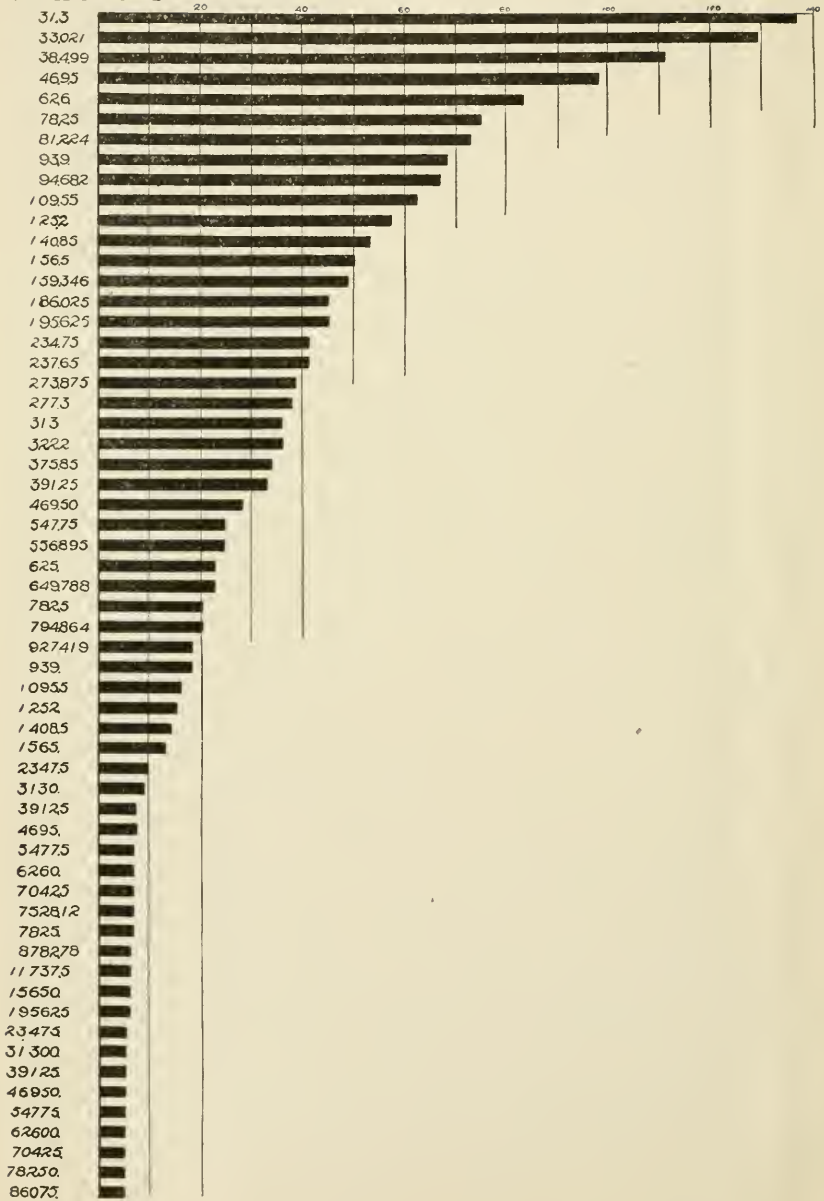
The headings in the table referred to indicate the significance of the figures it contains but they deserve all the emphasis that can be given. Each horizontal line in the table represents the results accruing, or that formerly would have accrued, to a railway route for an actual service measured, so far as these postal services can be measured in terms of weight and distance, by the figure at the extreme left of that line, in the first column. Thus, the last line represents an annual service equivalent to carrying 86,075 tons over each mile of a particular route. Prior to July 1, 1907, the effective date of Postmaster-General's Order No. 412, this volume of service would have resulted in stating the average daily weight on which payment is calculated as 550,000 pounds; now it gives an average daily weight one-seventh less or 471,429 pounds. This change in the method of applying the statute, alone and had there been no other change adverse to the railways affected, would have reduced the pay of a route having this volume of service no less than \$839.61 for each mile of its length. But there have been additional reductions so that it appears that if this volume of mail is now carried on other than a land-grant route the annual pay per mile is \$4,679.81 or \$1,315.45 less than \$5,995.26, which would have been the rate prior to July 1, 1907. This is a reduction of 21.94 per cent, as stated in the last column at the right of this line. Similarly, if the route were a land-grant route its pay would have been \$4,796.20 per mile prior to July 1, 1907, and now would be \$3,743.03 per mile, also a reduction of 21.94 per cent. Prior to July 1, 1907, the pay of this route, if not a land-grant route, would have been at the rate of 6.965 cents per ton per mile, it would now be at the rate of 5.437 cents per ton per mile. The corresponding ton-mile rates for land-grant routes are 5.572 cents and 4.349 cents, respectively.

These average ton-mile rates deserve especial attention. Considering the fifth column from the right, which contains the standard rates now in force, it shows that for the lowest weight stated the



NUMBER OF TONS  
CARRIED ONE MILE  
PER MILE OF ROUTE

AVERAGE RATE PER TON PER MILE IN CENTS



rate is considerably over one dollar per ton per mile and that the subsequent decrease in the average is very rapid until it approaches the lower end of the column when, although the decrease continues, the rate of decrease is more moderate. Of course the highest rates are in recognition of the character and cost of service on routes having very small quantities of mail and represent a small aggregate of railway mail pay and a relatively meagre portion of the total paid to the railways for mail services and facilities. The average daily weight tends on all routes, or at least on nearly all routes, to become greater as an incident to the development of the country, its growth in population, industry and wealth, and the progressive increase in the utilization of postal facilities. Hence in the normal course, every route tends to pass from a class having higher pay per ton mile to a class having lower pay and to continue downward, each route thus constantly approaching the minimum although the rate of approach varies greatly with different routes. Commenting upon this fact, in his report to the Joint Postal Commission, in 1900, Professor Henry C. Adams assigned it as ground for the assertion that "the law of 1873 is drawn in harmony with the fundamental law of transportation" which, he declared, is that "a reduction in rates is a normal result of an extension of traffic" and, he said, "justifies a relatively more rapid reduction in the rate per ton per mile for a route whose traffic increases, let us say, from fifty pounds to one thousand pounds daily, than for a route whose traffic increases from five thousand pounds to ten thousand, or fifty thousand to one hundred thousand pounds."\*

The percentages of reduction, in the last column of the table are very significant. Those corresponding to annual service of less than to 939 tons per average mile of route represent reductions effected by means of Order No. 412, only, for below this volume of service the statutory change of 1907 had no effect. The curious fluctuations in the percentages of the reductions so produced, ranging from 3.85 per cent to 10.00 per cent and the highest percentage representing a smaller volume of service than the lowest percentage, indicate the complicated nature of the change, apparently so simple, brought about by that order. Beyond 939 tons the percentages progress steadily until they reach the maximum, 21.94 per cent, in the last line, which represents the heaviest mail movement.

The figures in the last foregoing table are general in their significance. The table which follows shows precisely what has happened to particular routes, taking for illustrative purposes, those routes, with a few exceptions, on which mail was weighed in the years 1910 or 1911 and having, under the present mode of calculation, an average

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\* Fifty-sixth Congress, Document No. 89, Part 2, pp. 204-5.

daily weight in excess of twenty thousand pounds. All routes of this class are included except a few having lap service or in which other extraordinary conditions might have been thought to impair the value of the comparisons. (See the table on the inserts 72A and 72B.)

The table just indicated represents sixty-three routes on which mail was weighed during the years 1910 and 1911 with a total length of 17,645.72 miles. Although this represents but 7.88 per cent in length of the railway mail routes of the country, these routes receive, under present adjustments, \$14,276,600.84 per annum of railway mail pay, exclusive of any pay for postal cars which they may receive, or 30.92 per cent of the total transportation pay of all the railway routes. Their present proportion of the transportation pay of the third and fourth weighing sections, in which weighing took place in 1910 and 1911, is 41.99. Other routes, weighed in those years and having average daily weights of twenty thousand pounds or more, but excluded from the table because, for one reason or another, they might have been thought to impair the accuracy of the comparisons, receive, under the adjustments of those years, \$4,552,414.49 per annum. Adding this sum to the total of present transportation pay of the routes in the table gives \$18,829,015.33 which is 55.38 per cent of the transportation pay of the third and fourth weighing sections. These data serve to demonstrate the importance of the fact, disclosed by the table, that **the average reduction in transportation pay alone for these sixty-three heavy routes, since the close of the first half of the calendar year 1907, is 18.97 per cent. A tabulation of the postal car pay for these routes would show a still greater rate of reduction.**

## J.

### CONCLUSION DRAWN FROM THESE REDUCTIONS.

This report does not assume to base any *final* conclusion as to the wisdom or justice of a further reduction upon the fact that within less than five years railway mail pay has been thus heavily reduced. Such a record as that disclosed in the foregoing pages does, however, create a presumption that is strongly adverse to any plan which would immediately require further large sacrifices of revenue on the part of the railway instrumentalities of the postal service. When this presumption has been supplemented by proof, which will presently be adduced (see pages 74-5), that the railways were not overpaid prior to July 1, 1907, the gross injustice of adding to the series of reductions begun on that date and still in progress must be conceded. It is now generally recognized that present railway revenues are, at the most, but barely adequate to provide for the requirements of increased wages, higher prices of

materials and supplies, progressively augmented standards of service and the reasonable return upon investments that is necessary to attract the

correctly tabulated nor forwarded to Congress the original reports which he obtained from the railroads and (b) in so far as comparisons can be made with the figures which he did submit, they do not warrant but are destructive to the conclusions and recommendations which he makes and tend strongly to demon-

Route Number	Termini	Railroad	Length, in miles	Average daily weight		Transportation pay per mile per annum		Transportation pay for route per annum		
				Under Order No. 412	As it would have been prior to July 1, 1907, for same service	Now in force	As it would have been prior to July 1, 1907, for same service	Now in force	As it would have been prior to July 1, 1907, for same service	Reduction per cent
176022	Davis; Tehama, Cal.	Southern Pacific Company	111.83	20,465	23,876	\$327.76	\$371.92	\$36,653.40	\$41,591.81	11.87
145018	Burlington, Iowa; St. Louis, Mo.	Chicago, Burlington & Quincy Railroad	216.91	20,921	24,408	332.63	377.91	72,150.77	81,972.46	11.98
131023	Toledo; Cincinnati, Ohio	Cincinnati, Hamilton & Dayton Railway	262.30	21,095	24,611	334.26	380.47	67,620.79	76,969.08	12.15
131024	Hamilton, Ohio; Indianapolis, Ind.	Cincinnati, Hamilton & Dayton Railway	98.90	21,135	24,657	334.26	380.47	37,662.73	37,662.73	12.15
163014	Miles City, Montana; Spokane, Washington	Northern Pacific Railway	762.32	21,505	25,089	270.65	308.48	206,321.90	235,160.47	12.26
173001	Portland; Ashland, Oregon	Southern Pacific Company	342.71	21,735	25,357	340.71	388.17	116,764.72	133,020.74	12.23
131005	Cleveland, Ohio; Leavittsburg, Ohio	Erle Railroad	49.39	21,758	25,384	340.76	388.17	16,830.13	19,171.72	12.21
131047	Chicago, Ohio; Chicago, Illinois	Baltimore & Ohio Railroad	278.61	21,821	25,458	341.57	389.02	95,164.81	108,384.86	12.20
155001	Kansas City, Missouri; Denver, Colorado	Union Pacific Railroad	639.76	21,920	25,573	342.38	390.73	219,041.02	249,973.42	12.37
141058	St. Paul, Minnesota; Hankinson, North Dakota	Minneapolis, St. Paul & Sault Ste. Marie Railway	217.09	21,950	25,608	336.05	390.73	72,952.22	84,823.58	14.00
171010	Blairstown; Seattle, Wash.	Great Northern Railway	119.51	23,123	26,977	354.56	405.27	42,373.46	48,433.82	12.51
135136	Berclair; Colehour, Illinois	Pennsylvania Company	9.16	23,831	27,803	361.87	414.67	3,314.72	3,798.88	12.73
131028	Parkersburg, West Virginia; Cincinnati, Ohio	Baltimore & Ohio Southwestern Railroad	195.25	24,854	28,966	372.43	426.94	72,716.95	83,361.46	12.71
133038	Indianapolis; Monon, Ind.	Chicago, Indianapolis & Louisville Railway	95.34	24,915	29,067	372.43	427.50	35,507.47	40,757.85	12.88
131045	Toledo, Ohio; Elkhart, Indiana	Lake Shore & Michigan Southern Railway	142.44	25,122	29,309	374.87	430.06	53,396.48	61,257.75	12.83
150007	Longview; San Antonio, Texas	International and Great Northern Railroad	342.06	27,344	31,901	397.61	458.28	136,006.47	156,759.26	13.24
170053	Barstow; Los Angeles, Cal.	Atchison, Topeka & Santa Fe Railway	141.23	27,494	32,076	399.24	459.00	56,384.66	64,964.39	13.21
176014	Los Angeles, California; Yuma, Arizona	Southern Pacific Company	251.68	28,120	32,807	324.59	374.14	81,692.81	94,163.56	13.24
161013	Fargo, North Dakota; Miles City, Montana	Northern Pacific Company	495.33	28,831	33,636	329.70	380.98	163,354.88	188,710.82	13.44
135010	Galesburg; Quincy, Illinois	Chicago, Burlington & Quincy Railroad	90.76	29,568	34,496	420.36	485.64	41,935.11	48,447.45	13.44
150009	Texarkana, Arkansas; Fort Worth, Texas	Texas & Pacific Railway	246.10	29,935	34,924	423.60	490.77	164,247.96	120,778.50	13.69
157002	Omaha, Nebraska; Denver, Colorado	Chicago, Burlington & Quincy Railroad	537.37	30,252	35,294	426.85	494.19	229,376.38	265,562.88	13.63
167014	El Paso, Texas; Carrizozo, New Mexico	El Paso & Southwestern Company	145.43	30,918	36,071	430.79	502.74	62,649.17	73,113.48	14.31
168001	Yuma, Arizona; El Paso, Texas	Southern Pacific Company	564.29	31,183	36,380	434.04	506.16	244,922.67	285,621.03	14.25
132010	Cincinnati, Ohio; East St. Louis, Illinois	Baltimore & Ohio Southwestern Railroad	335.06	31,357	36,588	438.23	507.87	147,096.28	170,471.64	13.71
167021	Santa Rosa; Carrizozo, New Mexico	El Paso & Southwestern Company	128.48	31,758	37,028	439.72	513.00	56,494.71	65,910.24	14.29
167029	Tucumcari; Santa Rosa, New Mexico	Chicago, Rock Island & El Paso Railway	445.20	32,287	37,668	445.20	519.84	26,437.66	30,862.90	14.34
176042	Barstow; Needles, Cal.	Atchison, Topeka & Santa Fe Railway	169.07	32,444	37,851	450.68	417.24	60,811.09	70,542.77	13.80
131016	Gallen, Ohio; Granite City, Illinois	Cleveland, Cincinnati, Chicago & St. Louis Railway	448.05	32,502	37,919	449.60	522.40	201,443.28	234,061.32	13.94
133012	Evansville (L. & N. Depot); Terre Haute, Indiana	Chicago & Eastern Illinois Railroad	110.94	32,844	38,318	453.66	526.68	50,329.04	58,429.88	13.86
167003	Isleta, New Mexico; Needles, California	Atchison, Topeka & Santa Fe Railway	565.17	33,327	38,881	396.82	426.13	207,315.65	240,835.89	13.92
150065	Texhoma, Oklahoma; State Line between Texas and New Mexico	Chicago, Rock Island & Gulf Railway	92.35	33,708	39,326	459.30	537.79	42,416.70	49,664.91	14.59
135017	Chicago; East St. Louis, Illinois	Chicago & Alton Railroad	280.68	36,055	42,064	486.15	566.86	136,452.58	159,106.26	14.24

(Table concluded on next page).



daily weight in excess of twenty thousand pounds. All routes of this class are included except a few having lap service or in which other extraordinary conditions might have been thought to impair the value of the comparisons. (See the table on the inserts 72A and 72B.)

The table just indicated represents sixty-three routes on which mail was weighed during the years 1910 and 1911 with a total length of 17,645.72 miles. Although this represents but 7.88 per cent in length of the railway mail routes of the country, these routes receive, under present adjustments, \$14,276,600.84 per annum of railway mail pay, exclusive of any pay for postal cars which they may receive, or 30.92 per cent of the total transportation pay of all the railway routes. Their present proportion of the transportation pay of the third and fourth weighing sections, in which weighing took place in 1910 and 1911, is 41.99. Other routes, weighed in those years and having average daily weights of twenty thousand pounds or more, but excluded from the table because, for one reason or another, they might have been thought to impair the accuracy of the comparisons, receive, under the adjustments of those years, \$4,552,414.49 per annum. Adding this sum to the total of present transportation pay of the routes in the table gives \$18,829,015.33 which is 55.38 per cent of the transportation pay of the third and fourth weighing sections. These data serve to demonstrate the importance of the fact, disclosed by the table, that **the average reduction in transportation pay alone for these sixty-three heavy routes, since the close of the first half of the calendar year 1907, is 18.97 per cent. A tabulation of the postal car pay for these routes would show a still greater rate of reduction.**

## J.

### CONCLUSION DRAWN FROM THESE REDUCTIONS.

This report does not assume to base any *final* conclusion as to the wisdom or justice of a further reduction upon the fact that within less than five years railway mail pay has been thus heavily reduced. Such a record as that disclosed in the foregoing pages does, however, create a presumption that is strongly adverse to any plan which would immediately require further large sacrifices of revenue on the part of the railway instrumentalities of the postal service. When this presumption has been supplemented by proof, which will presently be adduced (see pages 74-5), that the railways were not overpaid prior to July 1, 1907, the gross injustice of adding to the series of reductions begun on that date and still in progress must be conceded. It is now generally recognized that present railway revenues are, at the most, but barely adequate to provide for the requirements of increased wages, higher prices of

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(Table concluded from previous page.)

Route Number	Termini	Railroad	Length, in miles	Average daily weight		Transportation pay per mile per annum		Transportation pay for route per annum		Reduction, per cent
				Under Order No. 412	As it would have been prior to July 1, 1907, for same service	Now in force	As it would have been prior to July 1, 1907, for same service	Now in force	As it would have been prior to July 1, 1907, for same service	
173003	Huntington; Portland, Oregon.....	Oregon Railroad & Navigation Company.....	401.91	36,771	42,899	\$493.46	\$575.41	\$198,326.50	\$231,263.03	14.24
165006	La Junta, Colorado; Albuquerque, New Mexico.....	Atchison, Topeka & Santa Fe Railway.....	348.37	38,960	45,453	515.39	602.77	179,546.41	200,986.98	14.50
135042	Chicago, Illinois; Terre Haute, Indiana.....	Chicago & Eastern Illinois Railroad.....	177.80	41,680	48,627	543.01	636.97	96,547.17	113,253.27	14.75
145004	St. Louis; Kansas City, Mo.....	Wabash Railroad.....	276.49	41,812	48,781	540.07	638.68	149,489.36	176,588.63	15.35
170002	Pocatello, Idaho; Huntington, Oregon.....	Oregon Short Line Railroad.....	326.88	42,880	50,027	555.19	651.51	181,480.50	212,965.59	14.78
131019	Toledo, Ohio; Granite City, Illinois.....	Wabash Railroad.....	428.31	43,487	50,735	559.68	659.20	239,717.32	282,341.95	15.10
135001	Chicago, Illinois; Milwaukee, Wisconsin.....	Chicago & Northwestern Railway.....	85.00	44,170	51,532	568.19	667.75	48,296.15	56,758.75	14.91
164001	Granger, Wyoming; Pocatello, Idaho.....	Oregon Short Line Railroad.....	214.70	47,498	55,414	602.20	700.65	129,313.81	152,361.85	15.13
171040	Spokane; Everett, Washington.....	Great Northern Railway.....	305.98	50,133	58,488	627.41	742.14	191,974.91	227,080.00	15.46
135098	Chicago, Illinois; Kansas City, Missouri.....	Atchison, Topeka & Santa Fe Railway.....	454.00	53,948	62,930	663.65	790.02	301,297.10	358,669.08	16.00
135015	Chicago, Illinois; Davenport, Iowa.....	Chicago, Rock Island & Pacific Railway.....	182.84	54,371	63,433	667.89	795.15	122,117.00	145,385.29	16.00
161010	Fargo, North Dakota; Havre, Montana.....	Great Northern Railway.....	711.90	56,497	65,806	688.13	820.80	489,941.67	584,461.39	16.16
135097	Willows; Madison Tower, Illinois.....	Vandalia Railroad.....	3.37	59,015	68,851	712.37	853.29	2,400.68	2,875.59	16.52
135020	Chicago (Park Row Station); Carbondale, Ill.....	Illinois Central Railroad.....	306.86	59,806	69,774	725.69	860.15	176,656.23	211,779.43	16.58
131013	Cleveland; Cincinnati, Ohio.....	Cleveland, Cincinnati, Chicago & St. Louis Railway.....	263.18	59,824	69,795	720.37	862.69	189,586.97	227,042.75	16.50
163030	Havre, Montana; Spokane, Washington.....	Great Northern Railway.....	531.67	61,099	71,282	732.61	878.94	380,506.75	467,306.03	16.65
161001	Casselton; Devils Lake, North Dakota.....	Great Northern Railway.....	126.47	71,421	83,324	831.81	1,008.04	105,190.01	127,486.82	17.48
176001	San Francisco (Ferry Station), Cal.; Ogden, Utah.....	Southern Pacific Company.....	783.77	93,613	109,215	1,045.45	1,284.21	819,392.34	1,096,525.27	18.59
131014	Columbus; Cincinnati, Ohio.....	Pittsburgh, Cincinnati, Chicago & St. Louis Railway.....	119.74	94,626	110,397	1,055.69	1,297.03	126,498.32	155,306.37	18.61
131011	Xenia; New Paris, Ohio.....	Pittsburgh, Cincinnati, Chicago & St. Louis Railway.....	52.12	130,978	152,808	1,405.01	1,750.18	73,229.12	91,219.38	19.72
145043	St. Louis (Union Station), Mo.; Granite City, Ill.....	St. Louis Merchants Bridge Terminal Ry. Co.....	9.08	144,375	168,437	1,530.72	1,916.91	14,817.36	18,555.69	20.15
157001	Union Pacific Transfer, Iowa; Ogden, Utah.....	Union Pacific Railroad.....	993.78	147,216	171,752	1,560.93	1,952.82	1,551,221.01	1,940,673.46	20.07
141013	Minneapolis, Minnesota; La Crosse, Wisconsin.....	Chicago, Milwaukee & St. Paul Railroad.....	140.80	180,205	210,230	1,737.83	2,364.07	244,687.09	332,861.06	26.49
131015	Columbus, Ohio; Indianapolis, Indiana.....	Pittsburgh, Cincinnati, Chicago & St. Louis Railway.....	187.99	164,037	191,376	1,723.09	2,162.29	323,923.68	406,488.90	20.31
139002	Milwaukee; La Crosse, Wis.....	Chicago, Milwaukee & St. Paul Railroad.....	197.60	201,244	234,785	1,929.53	2,626.56	381,274.77	519,008.26	26.54
131002	Pittsburgh, Pennsylvania; Chicago, Illinois.....	Pennsylvania Company.....	468.43	211,644	246,918	2,180.61	2,755.66	1,021,463.14	1,290,833.81	20.87
133002	Indianapolis, Indiana; East St. Louis, Illinois.....	Vandalia Railroad.....	238.22	215,585	251,516	2,219.09	2,805.25	528,631.61	668,266.66	20.00
135007	Chicago, Illinois; Burlington, Iowa.....	Chicago, Burlington & Quincy Railroad.....	265.57	226,784	264,581	2,315.71	2,944.62	476,041.16	605,325.53	21.36
125035	Chicago, Illinois; Milwaukee, Wisconsin.....	Chicago, Milwaukee & St. Paul Railroad.....	85.39	293,903	342,887	2,244.33	3,033.54	191,643.15	259,033.98	26.02
131005	Buffalo, New York; Chicago, Illinois.....	Lake Shore & Michigan Southern Railway.....	322.18	428,633	500,072	4,096.68	5,491.74	2,139,206.22	2,852,011.30	24.99
Total.....			17,645.72	.....	.....	8861.07	\$1,001.43	\$14,276,690.84	\$17,617,952.44	18.97

strate the inadequacy of the present payments for railway mail facilities and services.

Third. That the Postmaster-General's present recommendation of a further reduction of approximately \$9,000,000.00 in annual railway mail pay follows a series of reductions brought about by legislation or by departmental orders that have in less than five years diminished railway mail pay \$8,532,148.75.

The Committee on Railway Mail Pay having, therefore, demonstrated that there is before Congress no showing entitled to serious consideration in favor of the further reduction recommended by the Postmaster-General, asserts that he should be required to make a complete disclosure of the facts in his possession and that the railways are entitled to demand, as of right, that before going further an at least plausible and *prima facie* case should be presented by the Post Office Department or that its unsupported proposal should be withdrawn or ignored.

The railways welcomed the inquiry into this commonly misunderstood subject and co-operated in obtaining the data sought because they believed, and still believe, that any investigation, conducted wisely and fairly, with due recognition of the established principles of transportation economics and with reasonable regard for the just guarantees of the Federal Constitution would leave no vestige of doubt that within the past five years the process of reduction in railway mail pay has been forced so far as to constitute an injustice to an industry upon which almost one-fifth of the population of the country is directly or indirectly dependent, and in the successful operation of which the entire country is concerned.

In the subsequent pages of this report the Committee will seek to demonstrate the just right of the railways to receive from the Government that fair and reasonable relief which they had hoped it would be the pleasure of the Postmaster-General to recommend and initiate.

## B.

### RAILWAY MAIL PAY NOT EXCESSIVE BEFORE RECENT SERIES OF REDUCTIONS BEGAN.

Having described, defined and measured the extensive series of reductions, to which the Postmaster-General now seeks to add a still further reduction, it follows that the fact that these reductions have taken place is proof that the present railway mail pay is too low—

First. Unless such pay was too high before the reductions were effected, or,

Second. Unless the whole series and aggregate amount of these reductions were fully justified by changes in conditions that occurred during the period in which they took place.

The Congressional Joint Commission to Investigate the Postal Service, which reported on January 14, 1901 is sufficient authority for the fact that, on that date, railway mail pay was not excessive. The late Senator William B. Allison, of Iowa; the late Senator Edward O. Wolcott, of Colorado; Senator Thomas S. Martin, of Virginia; the late Representative Eugene F. Loud, of California; former Representative W. H. Moody, of Massachusetts, and former Representative T. C. Catchings, of Mississippi, six of the eight members of the Commission, united in the following:

**“Upon a careful consideration of all the evidence and the statements and arguments submitted, and in view of all the services rendered by the railroads, we are of opinion that ‘the prices now paid to the railroad companies for the transportation of the mails’ are not excessive, and recommend that no reduction thereof be made at this time.”**  
Fifty-Sixth Congress, Second Session, Senate Document No. 89, pp. 19, 22, 25, 29.

*This expression was the result of prolonged, patient and intelligent investigation by men whose patriotism, fidelity and capacity has never been questioned. Their conclusions were sanctioned by the Congress to which they reported and the authority of their judgment has not been and cannot now be impaired or diminished.*

### C.

#### CHANGED CONDITIONS SINCE 1901 WOULD JUSTIFY INCREASED RATHER THAN REDUCED RAILWAY MAIL PAY.

No one will for one moment contend that there has been any net reduction in the cost of supplying railway mail services and facilities since the year in which the report of the Joint Commission to Investigate the Postal Service was rendered. In fact all changes, save possibly those in efficiency of organization and management have been in the opposite direction and it is well known that the economies effected by this means extend in but the smallest degree to the mail service. Consider, for example, that large proportion of railway gross receipts from



operation which goes to railway labor; every item of cost of that character has greatly increased since the year 1901. In 1901 the railways reporting to the Interstate Commerce Commission received, in gross, from their operating sources, the sum of \$1,588,526,037.00 and expended in wages and salaries the sum of \$610,713,701.00; in 1910 the corresponding totals were \$2,750,667,435.00 and \$1,143,725,306.00. Computations from these totals show that in 1901 the railways expended in wages and salaries \$38.45 out of each \$100.00 of gross operating receipts while in 1910 the proportion had increased to \$41.58 a difference of \$3.13 in each \$100.00 of gross receipts. This difference does not seem small but it is hardly realized, except when the calculation is made, that on the basis of the gross receipts of 1910 it could amount, as it does, to an additional expense of \$86,095,890.72. It is to be borne in mind that this largely increased payment to labor is in spite of the fact that a part of the increase in wages rates has been offset by higher efficiency in methods and facilities. Comparisons of rates of wages, from the annual statistical reports of the Interstate Commerce Commission, follow:

Class of employees	Average wages per day		
	1901	1910	Increase, per cent
General office clerks.....	\$2.19	\$2.45	11.87
Station agents.....	1.77	2.14	20.90
Other station men.....	1.59	1.91	20.13
Enginemen.....	3.78	4.34	14.81
Firemen.....	2.16	2.57	18.98
Conductors.....	3.17	3.73	17.67
Other trainmen.....	2.00	2.72	36.00
Machinists.....	2.32	3.03	30.60
Carpenters.....	2.06	2.39	16.02
Other shop men.....	1.75	2.20	25.71
Section foremen.....	1.71	1.99	16.37
Other trackmen.....	1.23	1.57	27.64
Telegraph operators and dispatchers.....	1.98	2.16	9.09
Employees, account floating equipment.....	1.97	2.10	6.60
All other employees and laborers.....	1.69	1.96	15.98

Figures like the foregoing require no comment—they plainly show that in their relations with labor the railways could find evidence supporting a contention for higher railway mail pay, that this large element of cost supplies no justification whatever for any reduction.

During the year 1901, the railways reporting to the Interstate Commerce Commission expended \$104,926,568 for locomotive fuel, in 1910 their expenditures for the same purpose aggregated \$217,780,953. Comparing these figures with gross receipts from operation it is found that the cost in locomotive fuel of each \$100.00 of gross receipts was \$6.61 in 1901 and \$7.92 in 1910, an additional cost of supplying railway services amounting, on the basis of the receipts of 1910, to \$36,033,743.40. A further analysis of the supplies that must be purchased

in order that railways may be maintained and operated would show that in the great majority of instances, and those affecting the largest aggregate of expenses, the upward tendency in prices has been as marked as in the case of fuel for locomotives. It is apparent, therefore, that in the matter of the cost of necessary materials and supplies, no justification for the recent reductions in railway mail pay, but rather reasons for a movement in the other direction, can be found.

If there are any facts in the transportation or industrial events of the last decade that have warranted reductions in railway mail pay below the reasonable level that existed in the year 1901, those facts have not, it is respectively submitted, been brought to the attention of Congress by the Postmaster-General or in any other way, nor are they matters of public or general notoriety. No such facts are within the knowledge of the Committee on Railway Mail Pay nor have the members of that committee been informed that there is any claim that such facts do exist.

#### D.

#### THE PASSENGER TRAIN SERVICES ARE NOT REASONABLY REMUNERATIVE.

Railway managers have long realized that their passenger services are not directly productive, in most cases, of returns equal to their cost. In order to arrive at this conclusion as to the railways of the United States, as an whole, it is not necessary to resort to any plan, of problematical accuracy, for the apportionment of joint expenses. On the contrary, the discrepancies between average train mile expenses, for all classes of revenue producing trains, and the aggregate of the average train mile receipts from all of the passenger train services is so vast that it is at once apparent that it cannot be bridged by any conceivable difference between the respective train mile expenses of passenger and freight trains. The annual statistical report of the Interstate Commerce Commission for the fiscal year 1910 shows (p. 60) that the average receipts per train mile from all of the passenger train services rendered during that year amounted to \$1.30 while the average cost, for operating expenses alone, of running trains of all classes was \$1.49 per mile. The latter average includes nothing whatever for taxes or for any return to investors. The available data indicate that reasonable allowances for these purposes would raise the average cost to approximately \$2.25 per train mile.

These figures must satisfy any candid inquirer that, whatever difference a complete and detailed investigation might prove to

exist between the cost of running the different classes of trains over equal distances, that difference cannot equal the difference between the average train-mile cost of all trains and the average train-mile receipts of passenger trains. The averages thus amount to a demonstration of the truth that the passenger train services as an whole are relatively unprofitable. It will presently be shown that of the three passenger train services, those rendered on behalf of the mails fall farthest below the standard of reasonable remuneration.

Document No. 105, however, itself contains convincing evidence of the unprofitableness of the passenger train services as an whole. It is only necessary to supplement the Postmaster-General's estimates of passenger train expenses for operation and taxes, *incomplete, inadequate and far below the truth as they are*, by figures showing the receipts from those services and the receipts and expenses of all railway services in order to demonstrate this fact. An accurate computation representing the month of November, 1909, made up wholly from Document No. 105 and the official reports of the Interstate Commerce Commission covering every railway for which the former shows an estimated operating and taxation cost of handling the mails of \$10,000.00 or more (except the Grand Trunk System for which the Interstate Commerce Commission does not report comparable data and the Atchison, Topeka & Santa Fe for which the Postmaster-General used figures for January, 1910, instead of November, 1909, and also used different mileage from that covered by the reports of the Interstate Commerce Commission) affords this demonstration. The details of this computation are shown in Appendix A, the following are the results:

Item	All services	Passenger train services
Gross receipts .....	\$170,042,915.51	\$43,719,689.67
Operating expenses and taxes.....	109,960,722.73	32,300,818.99
Percentage of gross receipts required to meet operating expenses and taxes...	64.67	73.88

The foregoing aggregates are simply the totals of official figures including under that designation the Postmaster-General's estimates of the amounts of operating expenses and taxes chargeable to the passenger train services. Those in the column headed "All services" are the totals of figures found in Bulletin of Revenues and Expenses No. 10 issued by the Interstate Commerce Commission and No. 18 of the same series. The aggregate given for gross receipts of the passenger train services is the total of the receipts from passengers reported by the Interstate Commerce Commission in the same bulletins plus the mail revenues of the same railways reported by the Postmaster-General in Document No. 105 (Table 7, pp. 272-281) and plus one-twelfth of the

express revenues of the same railways for the fiscal year containing the month of November, 1909, as reported by the Interstate Commerce Commission in its statistical report for 1910. The aggregate cost for operation and taxes for the passenger train services is the total of the Postmaster-General's estimate for these railways as shown by his table 7 (Document No. 105, pp. 272-281). The significance of these aggregates will be appreciated when it is noted that the railways which they represented earned, according to the Postmaster-General's statement, in the month of November, 1909, \$3,109,160.32 of mail pay or 86.18 per cent of \$3,607,773.13 the total represented in Document No. 105. As has been demonstrated herein, *the Postmaster-General's plan of apportioning expenses tends most strongly to understate the cost of the passenger train services, yet even the misleading and inadequate estimates which he put forth in Document No. 105, when compared with the receipts, show that these services are so excessively costly that, if any allowance whatever is made for interest on the investment, they are unmistakably productive of much less than the fair average return necessary for the adequate remuneration of railway employees and a reasonable return upon railway investments.* If the Postmaster-General's method of apportionment had assigned its full and proper cost to the passenger department the percentage of expense to receipts would have been much higher than 73.88 and the difference between such higher percentage and 64.67 per cent, which expresses the ratio of all expenses to all receipts would have measured with accuracy the extent of the losses of the passenger train services. With this qualification in mind, it is sufficient to repeat that the totals for the forty-six railways represented disclose the fact that total operating expenses and taxes consumed 64.67 per cent of the gross receipts from all services while 73.88 per cent of the aggregate receipts from all the passenger train receipts only equals the inadequate portion of operating expenses and taxes assigned to those services by the Postmaster-General. **As the usual requirement for an aggregate sufficient to afford a reasonable rate of return on railway investments is approximately one-half of the total operating expenses it is evident that where it is admitted that 73.88 of receipts is required to meet operating expenses and taxes there must be a very heavy total loss.**

The situation which exists, under which the passenger business of almost all railways is conducted without adequate compensation, is not one with which the railways are satisfied nor has it arisen through their volition. It will certainly be admitted that they are warranted in asking that they be not required to accept relatively less for mail transportation than they receive from the other services rendered on their passenger trains.



## E.

RAILWAY GROSS RECEIPTS FROM MAIL TRANSPORTATION  
LOWER THAN FROM ANY OTHER PASSENGER  
TRAIN SERVICES.

By adopting the car-foot mileage basis, which is substantially a space basis, for the apportionment of such passenger train expenses as he has seen fit to consider the Postmaster-General has, in effect, argued that car-foot mileage made in the mail service ought justly to produce as much revenue per unit thereof as the average unit of car-foot mileage made in the other passenger services. Present mail pay is seen to be inadequate when it is subjected to this test. Even the grossly reduced figures of car-foot mileage made in the mail service contained in Document No. 105, figures obtained, as hereinbefore fully shown, only after ignoring a great deal of space actually required for the mails and transferring a large quantity of other space so required to the passenger service reveal this fact. Thus in Document No. 105, on page 59, all of the following figures are to be found:

Car-foot mileage made in all passenger train services, total	12,940,229,965.19
Car-foot mileage made in the mail service, total.....	926,164,458.83
Proportion of car-foot mileage made in the mail service to car-foot mileage made in all passenger train services, percentage .....	7.16

Therefore, upon the Postmaster-General's own showing, unless the railways earn \$7.16 out of each \$100.00 earned by their passenger trains by carrying the mails, their mail pay is too low. For the facts it is necessary to turn to the statistical reports of the Interstate Commerce Commission. The latest of these contains figures for the fiscal year 1910 and is appropriate for the purpose because that year includes the month covered by the Postmaster-General's inquiry. On page 510 of this report it appears that the gross receipts from passenger train services of the railways reporting to the Commission for the fiscal year that ended with June 30, 1910 were as follows:

Item	Amount	Per cent of total
From the mails.....	\$48,946,052	6.40
From other passenger train services.....	715,827,302	93.60
Total .....	\$764,773,354	100.00

Thus while the Postmaster-General admits that 7.16 per cent of the car-foot mileage of passenger trains is required for the mail, and by inference that they ought to get 7.16 per cent of their passenger train revenue from the same source, the official statistics, compiled by the great Federal agency that is especially charged



with the duties of railway supervision, show that they derive only 6.40 per cent of their passenger train revenues from the mails. The difference in these percentages may seem inconsequential but it is not so to the railways which invariably find differences between reasonable returns to their owners and actual losses expressed in the smallest ratios—in dollars and cents, based on the actual gross passenger train receipts shown above, this difference of little more than three-quarters of one per cent (actually, 0.76 per cent) amounts to \$5,812,277.49 and it would have required an increase in the mail pay of 1910 of that amount to place the mail service on a parity with the other passenger train services. And this figure results from using the much too low estimates of car-foot mileage made in the mail service adopted by the Postmaster-General. The less complete but far more accurate figures compiled from the copies of the reports to the Postmaster-General which are in the possession of the Committee on Railway Mail Pay and previously given in this report (see page 20) compare with the Interstate Commerce Commission's figures as to gross receipts, as follows:

Service	Percentages	
	Car-foot mileage	Gross receipts
Passengers .....	80.01	84.81
Express .....	10.67	8.79
Mail .....	9.32	6.40
Total .....	100.00	100.00

The same compilation (see page 20) also shows that during the month covered by the Postmaster-General's investigation each one thousand car-foot miles made in the mail service, produced, on the average, \$3.23 in gross receipts; each one thousand in express service, \$3.86 and in the transportation of passengers, \$4.42. These data absolutely establish the fact that the mail services rendered by the railways are the lowest paid of all their passenger train services and passenger train services, as an whole, have already been shown to be commonly rendered without adequate return. It is fully believed that any candid consideration of the foregoing must lead to conviction that not only is the Postmaster-General's recommendation of a further reduction in railway mail pay unwarranted and that any further reduction would be a gross injustice but, also, that reasonably fair treatment of the railways, their employees and owners and the traveling and shipping public, demands an increase in the total pay until it shall be somewhat commensurate with the pay for other and similar services.

## F.

### RAILWAYS SHOULD BE PAID FOR APARTMENT CARS.

The system of railway mail pay provided by law recognizes that railways ought not to be required to supply train space for distribution of mails en route without special compensation. It is obviously quite a different thing to provide a traveling post-office in which postal clerks are supplied with facilities for their duties identical with those performed in important distributing offices, from carrying the same bulk and weight of mail in closed and locked pouches. Yet while this difference is recognized in the law it is but *imperfectly and inadequately recognized* for an arbitrary distinction is made between those traveling post offices which are forty feet or more in length and those which are shorter, the former being specifically paid for and the latter being required to be supplied without special compensation. This injustice is admitted by the Postmaster-General, in Document No. 105, as follows:

“The laws now in force relative to railway mail pay provide . . . that an additional amount may be allowed for railway post-office cars when the space for distribution purposes occupies forty feet or more of the car length. **No additional compensation is allowed for space for distribution purposes occupying less than forty feet of the car length. This distinction is a purely arbitrary one and without any logical reason for its existence.**” Document No. 105, p. 3.

The annual report of the Second Assistant Postmaster-General for the fiscal year 1911 shows (page 43) that on June 30, 1911 the railways, under this plan, were supplying 1,464 full postal cars, which were paid for and 3,819 apartment cars which were not paid for. Of the former 1,213 and of the latter 3,204 were in constant daily use, the remainder constituting the necessary reserve. Together these classes of cars were the working places of 15,461 postal clerks and while being so used during the fiscal year they traveled, in the aggregate, 313,383,045 miles. The following shows the distribution of this mileage between the different classes of cars, the payments on account of the class of cars paid for and the average rate per mile of payment.

Kind of Car	Miles run	Payment to railways	
		Amount	Average per mile run, in cents
Full postal cars.....	94,010,689	\$4,737,788.75	5.04
Apartment cars .....	219,372,356	none	none

The foregoing shows that the railways receive for the use of a car, which in every relation is to them the full equivalent at least of a standard passenger coach, only about the fares of two and one-half pas-

sengers at the low rate of two cents per mile. But even if they were paid one-third as much per mile run by apartment cars as they are per mile run by full postal cars the 219,372.356 miles run by the former, for which they now receive nothing, would have produced \$3,685,455.58 gross revenue in 1911. In Document No. 105 (Table 4, p. 65) the Postmaster-General gives the following figures of car-foot mileage which are exclusive of all space that he defines as "storage space" and "dead head" space.

Kind of Car	Car-foot miles during November, 1909
Apartment cars .....	430,944,968.10
Postal cars .....	364,633,119.64
Total .....	795,578,087.74

It has already been shown (see pages 19-33) that these figures are too low but, leaving that fact aside, they show that the space utilized in apartment cars amounted to 84.61 per cent of the space utilized in full postal cars. There can be no valid reason why the railways ought not to be paid as much for a car-foot mile, placed at the disposal of and utilized for the postal service, in an apartment car as for similar space in a full postal car. If they were so paid they would receive for apartment cars, on the basis of the Postmaster-General's figures, 84.61 per cent of \$4,737,788.75, their postal car pay, or \$4,008,643.06. Neither of these figures is offered as indicating the precise rate of payment for apartment cars which would be reasonable and just but both serve approximately to suggest the lowest possible limit of the minimum payment which substantial justice would permit.

In this connection, it must not be overlooked, that the furnishing of traveling post offices is not a natural function of railway carriers, nor one that is undertaken by them without reluctance. These cars, whether full postal cars or apartment cars, are not essential to the transportation service which is the normal purpose for which railways exist, but they are required by the Post Office Department in order that the labor of distribution may be performed while the mails are undergoing transportation. This is an obligation not assumed with relation to any other element of railway traffic. If the Department could evolve a different method of serving the public, the railways would welcome relief from the requirement to supply traveling post offices of any sort; would willingly surrender the meagre compensation now received for the fraction of these offices which is paid for, and would gladly confine their mail services to those of transportation only. But if such cars are necessary in order that the public may receive the service which it demands, the railways ought to be adequately and fairly paid for all of them.

THE WEIGHT BASIS OF RAILWAY MAIL PAY SHOULD BE  
ASCERTAINED ANNUALLY.

There is no pretense, under the present system, that the railways are paid for all the mails which they carry. The weight basis is ascertained only once in four years and the weight resulting from these weighings of one year becomes the basis of payment for a period of four years beginning with the fiscal year which commences next after the year of the weighing. But the weight of mail carried never remains stationary, it is the exception that on any important route it does not increase during the whole four year period. This is shown by the table on page 84A which compares the results of the weighings of 1907 and 1911 on the first forty routes, shown in the reports for those years of the Second Assistant Postmaster-General, for which comparable data are given.

It should be noted that the routes illustrated in this table are forty of the first forty-three routes shown in the annual report for 1907, it having been necessary to omit routes 131011, 131018 and 131026 as the termini of 131011 and 131018 were changed between 1907 and 1911 and 131026 was vacant in the earlier year. Of the forty routes shown twenty-four, or a little more than half, show increases and sixteen show decreases. But from July 1, 1907 to June 30, 1911, inclusive, all payments were adjusted upon the basis of the weights of 1907 so that during the entire period of four years whatever weights may have been carried there was no change in compensation. If there is a decrease in volume during the quadrennial period this system is unfair to the Government, if there is an increase it is unfair to the railways, but owing to the increase in National wealth, in business activity and in population, it has always happened that the balance of unfairness has operated to produce a loss to the railways. The only rectification of this situation reconcilable with justice is to provide for more frequent, that is to say for annual weighings and readjustments of pay. No common carrier would be required or even permitted to contract to transport the entire output of any private enterprise during a four-years period for a fixed annual sum regardless of diminution or expansion in its volume. A contract covering so long a period at an unchanging aggregate payment is indefensible from every point of view and unjust alike to the public and to the railways.

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for the mails (see pages 9-16) : (b) cost of furnishing a large volume of personal transportation, not in postal cars, to officers and representa-



1 Number of Route	2 Length, in miles	3	4	5 6 7 Average daily weight, in pounds					
				1907	1911	Increase		Decrease	
						Pounds	Per cent	Pounds	Per cent
131001	190.07	12,584	11,802	.....	.....	782	6.21		
131002	468.43	155,503	211,644	56,141	36.10	.....	.....		
131003	46.99	1,721	1,483	.....	.....	238	13.83		
131004	144.59	2,655	4,776	2,121	79.89	.....	.....		
131005	49.35	18,623	21,758	3,135	16.83	.....	.....		
131006	148.38	9,784	12,448	2,664	27.23	.....	.....		
131007	80.10	4,681	5,497	816	17.43	.....	.....		
131008	32.26	577	437	.....	.....	140	24.26		
131009	116.57	1,287	1,641	354	27.51	.....	.....		
131010	28.85	881	584	.....	.....	297	33.70		
131012	131.00	3,009	4,283	1,274	42.34	.....	.....		
131013	263.34	50,893	59,824	8,931	17.55	.....	.....		
131014	119.74	65,754	94,626	28,872	43.91	.....	.....		
131015	188.06	133,211	164,037	30,826	23.14	.....	.....		
131016	448.59	34,763	32,502	.....	.....	2,261	6.50		
131017	21.91	1,158	1,057	.....	.....	101	8.72		
131019	428.32	43,694	43,407	.....	.....	287	.66		
131020	415.49	1,261	1,479	218	17.29	.....	.....		
131021	15.45	117	129	12	10.26	.....	.....		
131022	47.08	1,286	1,982	696	54.12	.....	.....		
131023	202.80	21,708	21,005	.....	.....	613	2.82		
131024	99.04	26,046	21,135	.....	.....	4,911	18.86		
131025	300.87	16,821	20,029	3,208	19.07	.....	.....		
131027	19.20	1,012	5,876	4,864	480.63	.....	.....		
131028	195.35	30,631	24,854	.....	.....	5,777	18.86		
131029	148.80	1,310	1,208	.....	.....	102	7.79		
131030	331.17	574	474	.....	.....	100	17.42		
131031	22.14	169	154	.....	.....	15	8.88		
131032	190.92	217,029	295,564	78,535	36.19	.....	.....		
131033	18.04	888	397	9	2.32	.....	.....		
131034	316.18	11,574	12,048	474	4.10	.....	.....		
131035	30.14	46	57	11	23.91	.....	.....		
131036	76.82	3,628	3,891	173	4.77	.....	.....		
131037	33.95	946	404	.....	.....	542	57.29		
131038	41.04	634	952	318	50.16	.....	.....		
131039	95.59	545	642	97	17.80	.....	.....		
131040	110.89	1,345	1,240	.....	.....	105	7.81		
131041	162.41	2,159	1,918	.....	.....	241	11.16		
131042	50.00	528	586	58	10.98	.....	.....		
131043	84.77	8,256	13,729	5,473	66.29	.....	.....		

84 A

for the mails (see pages 9-16); (b) cost of furnishing a large volume of personal transportation, not in postal cars, to officers and representa-

## II.

### TERMINAL SERVICES ON LIGHT ROUTES SHOULD BE PAID FOR..

Two or three generations ago, when mail transportation was principally by stages, and railways were in their early infancy, it was not considered an hardship that, where the stage terminal was within eighty rods of a post-office, the stage should be asked to make a sufficient extra journey or detour to take up and deliver the mail pouches at the post-office. It is a curious consequence of the feeble beginnings of the railway industry that when the mails began to be carried over tracks of iron, in vehicles which could not deviate from their rights of way, this requirement was extended and the railway required to receive and deliver mails at all post-offices located within eighty rods of any station. And it is irresistible proof of the persistent force with which the Post-Office Department has continually imposed its will upon the railways that the practice still continues although in many instances, on the lighter routes, the cost of performing this service exceeds the entire mail pay for the route. This abuse is most frequent on those railways which are the least adequately paid and it would be but reasonable to ask that they either be relieved of this burden or that the compensation of the lighter routes be readjusted on a basis enough higher than that now in force to eliminate these heavy losses.

## V.

### CONCLUSION.

This report of the Committee on Railway Mail Pay has discussed, as fully as a proper regard for the time of its members and the extraordinary importance of the subject warrant, the conditions under which the railways serve as auxiliaries to the postal service and their compensation for the indispensable services and facilities which they render.

It has been shown that the recommendations of the Postmaster-General contained in Document No. 105, are not founded in justice or based upon accurate statements of fact or sound transportation principles.

It has been shown that, in the course of the investigation reported in that Document, the Postmaster-General collected illuminative data which he finally withheld from Congress as to (a) cost to the railways of supplying extraordinary station services and terminal facilities for the mails (see pages 9-16); (b) cost of furnishing a large volume of personal transportation, not in postal cars, to officers and representa-

tives of the Post Office Department (see pages 16-18); and (c) relative returns from passenger, express and mail traffic (see pages 18-19).

It has been shown that the most fundamental data as to train space occupied, respectively, by the mails and by passengers, accurately reported by the railways, were arbitrarily changed and modified for the report so as greatly to diminish the former and to augment the latter and that these changes operated so as to diminish the estimated cost of the mail service (see pages 19-33).

Further, it has been shown that the data used as the basis of Document No. 105, relating to the single month of November, represent a month in which passenger expenses are actually far below the average or normal level and are abnormally low as compared with freight expenses (see pages 43-50).

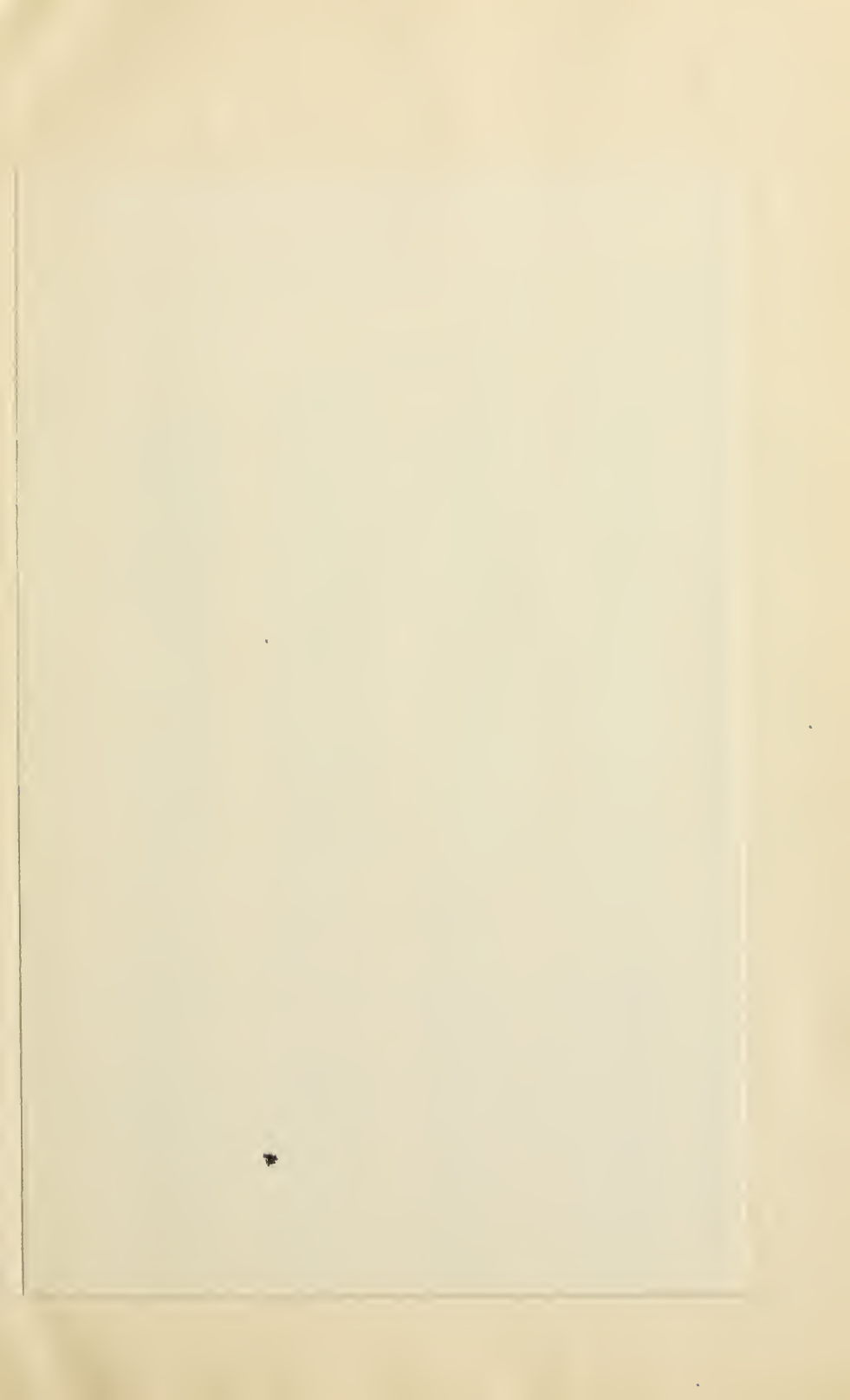
And, still further, it has been shown that railway mail pay has been reduced fully twenty per cent within the period of about ten years which began with the declaration of the Joint Commission to Investigate the Postal Service that it was not excessive while during the same period substantially all the expenses of rendering these postal services have greatly increased per unit of such services (see pages 50-77) and,

Finally, that railway mail pay is plainly and demonstrably inadequate at the present time (see pages 77-81).

And reasonable measures for providing more adequate and reasonable compensation have been pointed out (see pages 82-85).

As a final word, the Committee on Railway Mail Pay urges that, in justice to the great interests which it represents, in justice to millions of railway employees whose arduous and responsible services are not over-paid, in justice to hundreds of thousands of depositors in savings banks and owners of policies of insurance and frugal investors everywhere, in justice to millions of workers in thousands of industrial enterprises whose prosperity depends upon services which only solvent railways can suitably render, that, if any doubt remains, as to the propriety of the relief herein recommended, an effort be made to have the voluminous data in the possession of the Postmaster-General laid before Congress, to the end that the facts herein set forth may be fully substantiated. When those data are completely, accurately and fully tabulated, with such other facts as may be necessary to illuminate and explain them, no scintilla of doubt as to the urgent necessity of substantial relief can remain.

All of which is respectfully submitted.











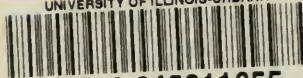




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